STATE OF MISSISSIPPI
HALEY BARBOUR
GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHARLES H. CHISOLM, EXECUTIVE DIRECTOR

January 13, 2005

Mr. Kevin Mirner
Harcros Chemicals, Inc.
5200 Speakers Road
P. O. Box 2930
Kansas City, Kansas 66110-3000

Mr. Paul Bunge
Silvertip Project Partners
860 Bramblewood Drive
Castle Rock, Colorado 80108

Re: *Development of Vicksburg Chemical Company Property*

Dear Kevin and Paul:

Silvertip Project Partners, LLC, has partnered with Harcros Chemicals, Inc., and ARCADIS to pursue cleanup and development of the Vicksburg Chemical Property. The Department earlier decided to move forward with the Harcros Chemical Company proposal and now considers the proposal to be modified to include Silvertip Project Partners.

The Department will negotiate exclusively with Silvertip Project Partners and Harcros Chemicals Inc. ***as long as reasonable progress is being made toward a final solution***. Based upon our discussions and the current plan of action, it seems that we all will know whether this project will move to closure by April 30, 2005. At that time the Department will re-evaluate whether it is prudent to continue negotiations with Silvertip and Harcros. We appreciate your efforts to date. Please keep us informed of your progress.

Sincerely,

Charles H. Chisolm
Executive Director

CHC:jar
cc: Trudy D. Fisher, Esq.

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STATE OF MISSISSIPPI
HALEY BARBOUR
GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHARLES H. CHISOLM, EXECUTIVE DIRECTOR

MEMORANDUM

TO: **Leland Speed, Executive Director**
Mississippi Development Authority (MDA)

FROM: **Charles H. Chisolm, Executive Director** CHC
Mississippi Department of Environmental Quality (MDEQ)

DATE: **December 23, 2004**

SUBJECT: **Vicksburg Chemical Company**
Silvertip Partners, LLC Proposal

MDEQ is working with Silvertip Project Partners, LLC, Harcros Chemical Company, and ARCADIS to remediate, develop, and reuse the Vicksburg Chemical site, which includes a 30+ acre plant site that is contaminated and approximately 540+ acres of clean undeveloped property. Silvertip Project Partners, LLC ("Silvertip") is prepared to develop the site for resort, industrial, residential and retail/commercial use. The following is a summary of Silvertip's Proposal:

Silvertip Proposal

Because the remediation cost is estimated to be $8 million, economic assistance and tax relief from the State is necessary for the project to be viable. Silvertip Project Partners would like to discuss with the MDA several options for economic assistance. One option under discussion is for the State to provide relief from State taxes generated at the site for ten years. The State will not incur any cost associated with remediation of the property and will not be losing any revenue that would otherwise be generated from this contaminated property. The State will receive added benefits associated with the creation of jobs. Additionally, the State would begin to receive all of its normal revenues at the end of the tax relief period. The total estimated shortfall is at least $6 million.

Estimated Needs

1. Tax relief for ten years (requires legislation that is currently in the works);
2. Tax Increment Financing (TIF) bond funding for economic development of $3.3M (requires City of Vicksburg to issue bonds); and

3. $2.6M (attached chart includes cost estimates) from Mississippi Development Authority for infrastructure needs.

Potential Results

1. Cleanup of Plant Site;
2. Reuse of the Vicksburg Chemical Plant Site;
3. As many as 75 jobs created from plant reuse;
4. As many as 150 jobs created from resort, golf course, and retail/commercial development;
5. Golf Course development;
6. New Retail/Commercial development;
7. Resort development;
8. Tax revenues after 10-year relief period.

Key Contacts:

Silvertip Project Partners, LLC
Paul Bunge
860 Bramblewood Drive
Castle Rock, CO 80108
303-798-4133

Harcros Chemical Company
Kevin Mirner
5200 Speaker Road
P. O. Box 2930
Kansas City, Kansas 66110

ARCADIS
Paul Newman
630 Plaza Drive
Suite 200
Highlands Ranch, CO 80129

Legal Counsel:
Trudy D. Fisher
Brunini, Grantham, Grower and Hewes
P.O. Drawer 119
Jackson, MS 39205
601-960-6846

Attachment

ARCADIS

Conceptual Infrastructure Needs and Costs
Cleanup, Reuse, and Redevelopment Project
Former VCC Site
Vicksburg, Mississippi

Major Assumptions

- Addresses global project infrastructure to connect development parcels (developed by others) to existing City infrastructure
- Does not include golf course development needs

Item	Cost
Entitlements	
Master Plan	$10,000
Development Analysis	$7,500
Master hydrology study	$12,500
Master potable water study	$12,500
Master sanitary study	$18,000
Master transportation study	$8,250
Master dry utility study	$7,250
Master geotechnical study	$17,500
Contingency (10%)	$9,350
Subtotal	$102,850
Infrastructure Design	
One centralized domestic water plant, two wastewater lift stations, three local intersections, two highway intersections	
Design survey	$50,000
Hydrology analysis, culvert sizing, storm routing, misc.	$25,000
Water distribution, fire-flow analysis, storage tank with booster and appurtenances	$125,000
Sanitary sewer design flows and lift station	$110,000
Pavement design for Warrenton Road, Dabney Drive and Highway 61 South	$95,000
Dry utility design/coordination with all applicable companies/agencies	$35,000
Site-specific geotechnical evaluation for lift station, water storage facility and highways	$25,000
Contingency (10%)	$46,500
Subtotal	$511,500

ARCADIS

Infrastructure Construction	
Water distribution including storage tank, booster, etc.	$715,000
Sanitary sewer including lift station	$420,000
Pavement and drainage structures, including a 10'x10' double-box culvert under Warrenton Road for golf course, culverts	$475,000
Dry utility trenching (less fiber-optic, if required)	$50,000
Contingency ($20%)	$332,000
Subtotal	$1,992,000
Total Global Infrastructure	$2,606,350

STATE OF MISSISSIPPI
DAVID RONALD MUSGROVE, GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHARLES H. CHISOLM, EXECUTIVE DIRECTOR

MEMORANDUM

To: Vicksburg Chemical Company Prospective Purchasers

From: Charles Chisolm
Executive Director

Date: August 29, 2003

Re: Response To Purchase Proposals

MDEQ was pleased to receive four proposals in response to our August 22, 2003 letter to Pacific Chlorine, Inc. and Harcros Chemicals, Inc. concerning the purchase of Vicksburg Chemical Company's Vicksburg, Mississippi property. Of the four proposals received, two companies (Pacific Chlorine, Inc. and Harcros Chemicals, Inc.) generally proposed purchasing all of the assets, conducting chemical production operations at the facility, and providing some level of guarantee towards the necessary remediation.

Louisiana Chemical Equipment Co., L.L.C. ("LCEC") offered a sizeable cash payment upon closing in exchange for all land, buildings, process equipment, spare parts, miscellaneous materials, drawings and documentation coupled with an indemnification of LCEC and its transferees from and against all environmental liabilities. In addition, MDEQ would be responsible for the removal of all hazardous materials and cleanup. Finally, the National Center for Sustainable Development/Brownfield Stewardship Fund proposed to serve as project manager for environmental remediation and regulatory approvals, master land use planning, golf course planning/oversight and as financial advisor under contract to the City of Vicksburg.

MDEQ has determined to move forward with the Harcros Chemicals, Inc. ("Harcros") proposal. As a practical matter this means that over the next several weeks, and for as long as reasonable progress is being made toward a final solution, MDEQ will negotiate exclusively with Harcros regarding this project. MDEQ, however, reserves the right to reopen the process if it appears to MDEQ that the negotiations have stalled due to the inability (financial or otherwise) or reluctance of Harcros to proceed diligently.

MDEQ appreciates your interest and patience as the agency has worked through this very unusual situation.

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STATE OF MISSISSIPPI
DAVID RONALD MUSGROVE, GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHARLES H. CHISOLM, EXECUTIVE DIRECTOR

FACSIMILE

FROM: Charles H. Chisolm, Fax No. 601-961-5349, Telephone 601-961-5000

DATE: August 29, 2003

Pages, Including Cover: 2

TO:
Michael Boyd, 359-3741
Lael Butler, 404-562-8689
John Crawford, Esq., 985-4500
Caleb Dana, 936-4463
Dan Etzkorn, Esq., 501-682-0891
Parthenia Evans, Esq., 816-691-3495
Trudy Fisher, Esq., 960-6902
Ronnie Gale, Mike Joachim, 609-586-0002
Steve Gambrell, 601-634-6876
David Kennedy, Esq., 718-422-1789
Jerry Lemons, 615-847-0053
Mayor Laurence Leyens, 601-634-4564
Kevin Mirner, 913-621-7822
Jimmy Palmer, Esq., 404-562-9961
John Rosamond, 703-684-7302
Al Rotenberg, Steve O'Brien, 225-926-5237
Donna Sandidge, 615-340-2532
Nancy Thomas, Esq., 601-634-6232
Scott Wilderman, 415-221-5684
Eric Williams, 720-344-3535
Yehuda Yoked, 901-684-5398

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Executive Director

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MDEQ appreciates your interest and patience as the agency has worked through this very unusual situation.

Louisiana Chemical Equipment Co., L.L.C.
PLANT REMOVAL SURPLUS EQUIPMENT LIQUIDATIONS
USED CHEMICAL PROCESS EQUIPMENT

P. O. BOX 65064 BATON ROUGE, LOUISIANA 70896-5064
PHONE (225) 923-3602 FAX (225) 926-5237
E-MAIL: plants@lcec.com http://www.lcec.com

August 22, 2003

SENT VIA TELECOPIER:
601-961-5300

AUG 25 2003

Mr. Jere "Trey" Hess, P.E., DEE
Mississippi Department of Environmental Quality
101 Capitol Centre
101 West Capitol Street
P. O. Box 20305, (39289-0385)
Jackson, Mississippi 39201

Dear Mr. Hess:

This letter sets forth the proposal of Louisiana Chemical Equipment Co., L.L.C. ("LCEC") to purchase all of the land, buildings, process equipment, spare parts, miscellaneous materials, drawings and documentation (the "Purchased Assets") of the former Vicksburg Chemical Company ("VCC") facility at Vicksburg, Mississippi, on the following terms and conditions:

1. The purchase price will be $2.5 million, payable in good funds at closing.

2. The purchase will be pursuant to the terms of a mutually acceptable definitive agreement to include terms and conditions typical of a transaction of this type, including, without limitation, the principal terms and conditions set forth below. LCEC will deliver a proposed form of such an agreement within five (5) business days following acceptance by MDEQ of this letter.

3. The Purchased Assets shall be free of all liens and encumbrances, and shall include all patent and other intellectual property rights necessary for operation of the process units without further payment for license or transfer fees, royalties, or other costs relating to the technology of the process units, and there shall be no payments due seller or any third parties for technology rights related to operation of the process units at any other location at which the units may be reassembled.

4. LCEC will deliver a deposit in the amount of $30,000 upon execution of the definitive agreement; the deposit will be applied to the purchase price at closing. If LCEC fails to close the purchase for any reason other than inability of seller to deliver clear title or technology rights, the deposit will be retained by MDEQ.

5. MDEQ shall be responsible for removal of all hazardous materials and remediation of all surface and subsurface contamination, and will indemnify LCEC and its transferees from and against all liability in respect of environmental contamination from operation of the facilities prior to closing.

6. The purchase of the Purchased Assets will be on an "as is, where is" basis without warranty, except as specifically provided in the definitive agreement for title, technology rights and environmental matters.

7. LCEC shall be afforded a ninety (90) day period within which to conduct such due diligence investigations of the Purchased Assets as it deems appropriate, including without limitation, matters relating to taxation, environmental matters, dismantlement cost and such other factors as LCEC may deem appropriate. If the due diligence investigation reveals circumstances not anticipated by and unacceptable to LCEC, the purchase agreement may be terminated by LCEC without further liability, and MDEQ shall retain the deposit.

8. We anticipate closing of the purchase within thirty (30) days following completion of the due diligence investigation.

LCEC has over 30 years of experience in successfully dealing with projects of this type, including sale and relocation of in excess of 100 process units similar to the VCC units. Over the years, we have developed an excellent track-record and reputation for our handling of these types of projects, and we have the financial resources to undertake and successfully complete this project. Enclosed for your reference is a recent, audited financial statement of LCEC.

We believe that this proposal offers MDEQ the opportunity for quick and final disposition of the VCC assets without the contingencies, risks and uncertainties inherent in other proposals based on plans to resume chemical production on the site, considering the current unsettled environment of that industry. Our intention is to accomplish expeditious removal of the process units from the site, with sale of the real estate in parcels to the City of Vicksburg and/or other parties with whom we have held discussions, so that the property can be returned to useful and environmentally-friendly purposes in the near term. The quick closing which we anticipate will allow early termination of the ongoing expense and liability currently being incurred by MDEQ. We believe, further, that our plan for disposition of the Purchased Assets will not only maximize, in the near term, funds available to MDEQ for remediation of the site but will also enhance adjacent land values and create jobs and tax revenue for the City of Vicksburg.

If the foregoing plan for disposition of the VCC assets is acceptable to MDEQ, please so indicate by signing in the space provided below, whereupon we will immediately commence preparation of a definitive purchase agreement for your review. Neither party shall be bound until execution of the definitive agreement. LCEC reserves the right to withdraw this proposal if it is not accepted within thirty (30) days of the date hereof. We look forward to hearing from you in this regard.

Regards,

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.

Alvin G. Rotenberg,
President

AGR/bpm

Attachment

Agreed to and Accepted this ___ day of __________, 2003.

MISSISSIPPI DEPARTMET OF ENVIRONMENTAL QUALITY

By:______________________________

AUG 2 5 2003

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

Financial Statements for the Years Ended December 31, 2002 and 2001 and Independent Auditors' Report

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

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Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, Louisiana 70139-3700

Tel: (504) 581-2727
Fax: (504) 561-7293
www.deloitte.com

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

Louisiana Chemical Equipment Co., L.L.C.

We have audited the accompanying balance sheets of Louisiana Chemical Equipment Co., L.L.C. (the "Company") as of December 31, 2002 and 2001, and the related statements of operations, member's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

April 30, 2003

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001
CURRENT ASSETS:		
Cash	$ 1,158,145	$ 1,045,846
Accounts receivable:		
Trade, net of allowance of $176,094 and $248,413 in 2002 and 2001, respectively	1,057,557	1,281,518
Joint venture partners, net of allowance of $1,220,605 and $960,287 in 2002 and 2001, respectively	951,922	1,703,270
Affiliates	3,896,808	3,512,091
Advances to suppliers	458,800	669,400
Inventories	6,571,751	6,791,581
Prepaid expenses and other assets	62,365	33,616
Total current assets	14,157,348	15,037,322
PROPERTY, PLANT AND EQUIPMENT - Net	886,980	929,539
	$15,044,328	$15,966,861

LIABILITIES AND MEMBER'S EQUITY	2002	2001
CURRENT LIABILITIES:		
Accounts payable and accrued expenses:		
Trade	$ 325,645	$ 315,212
Joint venture partners	300,234	1,262,936
Affiliates	17,276	56,081
Accrued compensation and other	472,811	978,264
Total current liabilities	1,115,966	2,612,493
COMMITMENTS AND CONTINGENCIES	-	-
MEMBER'S EQUITY	13,928,362	13,354,368
	$15,044,328	$15,966,861

See notes to financial statements.

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
NET SALES	$ 9,163,377	$ 11,063,359
COST OF GOODS SOLD	4,306,733	5,077,331
GROSS PROFIT	4,856,644	5,986,028
SELLING AND ADMINISTRATIVE EXPENSES	3,538,513	4,021,735
INCOME FROM OPERATIONS	1,318,131	1,964,293
OTHER INCOME:		
Interest income	193,314	196,143
Other, net	69,041	136,128
Total other income, net	262,355	332,271
NET INCOME	$ 1,580,486	$ 2,296,564

See notes to financial statements.

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

STATEMENTS OF MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2002 AND 2001

BALANCE, January 1, 2001	$ 11,057,804
Net income - 2001	2,296,564
BALANCE, December 31, 2001	13,354,368
Member distributions - 2002	(1,006,492)
Net income - 2002	1,580,486
BALANCE, December 31, 2002	$ 13,928,362

See notes to financial statements.

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,580,486	$ 2,296,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Inventory writedowns	191,080	673,008
Depreciation and amortization	45,590	64,903
Gain on sale of property, plant and equipment	-	(90,000)
Provision for doubtful accounts	188,000	349,487
Changes in operating assets and liabilities:		
Accounts receivable	(348,756)	(747,665)
Advances to suppliers	210,600	(150,260)
Inventories	28,750	(1,359,766)
Prepaid expenses and other assets	(28,749)	112,620
Accounts payable and accrued expenses	(1,496,527)	529,172
Net cash provided by operating activities	370,474	1,678,063
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances from (to) affiliates	751,348	(1,272,688)
Capital expenditures	(3,031)	(5,000)
Proceeds from sale of assets	-	15,000
Net cash provided by (used in) investing activities	748,317	(1,262,688)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of member distributions	(1,006,492)	-
Net cash used in financing activities	(1,006,492)	-
NET INCREASE IN CASH	112,299	415,375
CASH AT BEGINNING OF YEAR	1,045,846	630,471
CASH AT END OF YEAR	$ 1,158,145	$ 1,045,846

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2001, the Company received cash of $15,000 for the sale of equipment and recorded $75,000 as a receivable.

See notes to financial statements.

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

1. THE COMPANY

Louisiana Chemical Equipment Co., L.L.C. (the "Company"), a wholly owned subsidiary of Diefenthal Investments, L.L.C. ("DI"), is a limited liability company, which terminates on December 31, 2020. The Company is in the business of selling and dismantling used chemical equipment, in the form of entire used plant facilities or individual pieces of equipment, primarily to foreign and domestic industrial chemical companies. A portion of the Company's sales is with joint venture partners in which the Company has joint venture sharing agreements. Proceeds from joint venture sales and purchases are shared on a pro rata basis as determined by the joint venture sharing agreements.

The Company is a member of a group of affiliated companies referred to as Southern Holdings, L.L.C. (the "Holding Company") and transacts business with other members of the group in the ordinary course of its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Deferred Revenue - The Company recognizes revenue for plant sales upon transfer of risk of loss to the customer based upon the terms of the individual contracts. Revenue for joint venture sales is recognized when the Company is entitled to receive payment from the joint venture partner in accordance with the terms of the individual contracts. Revenue for equipment sales is recognized when risk of loss passes to the customer.

A portion of the Company's plant sales are made to customers under terms which provide for billing throughout a contract period but which defer transfer of risk of loss until closing. Revenue on such contracts is deferred until the risk of loss transfers.

Joint Venture Partner Receivables and Payables - Joint venture partner receivables and payables arise from (1) sales of jointly owned equipment in which the Company or the joint venture partner is entitled to a share of the sales proceeds and (2) purchases of used chemical equipment in which a share of the purchase price of equipment is due to/from the Company or the joint venture partner.

Inventories - Inventories are valued at the lower of cost or market using the specific-identification method for used equipment. Provision is made to reduce unsaleable, obsolete, or excess quantities to their estimated net realizable values.

Property, Plant and Equipment - Property, plant and equipment are stated at cost. Maintenance and repairs are charged to operations as incurred; improvements and major repairs, which extend the useful life of the asset, are capitalized.

Depreciation is calculated based on the estimated useful lives of the related assets, ranging from five to forty years, using the double-declining balance method for assets placed into service through December 31, 1995 and the straight-line method for all assets placed into service thereafter.

Impairment of Long-Lived Assets - The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company assesses the recoverability of long-lived assets by determining whether the carrying values can be recovered through projected cash flows and operating results over their remaining lives. Any impairment of the asset is recognized when it is probable that such future undiscounted cash flows will be less than the carrying value of the asset. If the undiscounted cash flows do not exceed the carrying value, then an impairment is measured based on fair value compared to carrying value, with fair value typically based on a discounted cash flow model, comparable asset sales or solicited offers.

Income Taxes - No provision for federal or state income taxes is recorded in the financial statements, as the Company's results of operations are included in the tax returns of its member.

Reclassifications – Certain reclassifications of prior year amounts have been made to conform to the current year's presentation.

Recent Accounting Pronouncements – In 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"), which must be implemented by January 1, 2003. SFAS No. 143 requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. These liabilities will be recorded at their fair values (which are likely to be the present values of the estimated future cash outflows) in the period in which they are incurred, with an accompanying addition to the recorded cost of the long-lived asset. The asset retirement obligation will be accreted each year through a charge to expense, to reflect the time value of money for this present value obligation. The amounts added to the carrying amounts of the assets will be depreciated over the useful lives of the assets. The Company does not expect the implementation of this standard to have a material impact on its financial position, results of operations or cash flows.

In 2002, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets,* which the Company implemented effective January 1, 2002 that supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,* and sets the standards for measuring and recording impairments of long-lived assets. Additionally, this standard establishes requirements for classifying an asset as either held for use or held for sale, and changes existing accounting and reporting standards for discontinued operations and exchanges of long-lived assets. The Company does not expect the implementation of this standard to have a material impact on its financial position, results of operations or cash flows.

3. INVENTORIES

Inventories consist of used chemical equipment, including in certain instances, plant facilities. Inventories are classified as current assets in the accompanying balance sheets and are expected to be liquidated in the normal course of operations, although this may require more than one year.

During 2002 and 2001, the Company recorded a provision of $191,080 and $673,008 to reduce the carrying values of certain inventories to their estimated net realizable values.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31, 2002 and 2001:

	2002	2001
Land	$ 360,368	$ 360,368
Buildings and improvements	1,279,402	1,279,402
Machinery and equipment	710,440	707,409
	2,350,210	2,347,179
Less accumulated depreciation	(1,463,230)	(1,417,640)
	$ 886,980	$ 929,539

5. RELATED PARTY TRANSACTIONS

Effective February 24, 2000, DI and certain of its subsidiaries, including the Company (collectively, the "Borrowers"), entered into a borrowing agreement (the "Secured Credit Agreement"), which replaced substantially all of the Borrowers' previous bank credit facilities. The Secured Credit Agreement consists of a $5.0 million term loan and a consolidated revolving credit facility that is limited to the lesser of $7.0 million or a specified borrowing base. Amounts available under the facility are reduced by outstanding letters of credit not to exceed $3.0 million. Borrowings under the facility (i) bear interest at a specified prime rate plus 25 basis points or LIBOR plus 190 basis points (term loan) or 180 basis points (revolving loans) as elected by DI and (ii) are collateralized by substantially all assets of the Borrowers, and the limited guarantees of the owner/members of the Holding Company. The term loan is payable by DI in monthly principal installments of $59,524 with a final balloon payment of $1,428,560 due in February 2005. During December 2001, the Borrowers amended the Secured Credit Agreement to extend the maturity date of the revolving credit facility to June 30, 2003. A commitment fee is payable monthly on the unused portion of the available revolving credit facility. For continuing access to the credit facility, DI must remain in compliance with its covenants, including covenants relating to (i) the maintenance of certain financial ratios and (ii) limitations and restrictions on capital expenditures, the incurrence of new indebtedness and the payment of distributions to its members. Borrowings outstanding under the Secured Credit Agreement, which totaled $5,254,699 and $6,913,619 at December 31, 2002 and 2001, respectively, are recorded on the books of DI.

The Company participates in a cash management program of DI under which it advances funds to or borrows funds from DI based on the Company's cash flows. The Company had advanced excess cash of $3,896,808 and $3,474,728 to DI at December 31, 2002 and 2001, respectively. A portion of the advances accrue interest at varying rates (3.28% and 3.62% at December 31, 2002 and 2001, respectively). Interest income on net advances approximated $185,000 and $181,000 for the years ended December 31, 2002 and 2001, respectively.

DI provides accounting, legal and other managerial and administrative support and services to the Company. Included in the results of operations for 2002 and 2001 are management fees aggregating $228,000 and $180,000, respectively, relating to such support and services.

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Legal Matters - The Company is involved in litigation arising from a dispute with a customer regarding the condition of a piece of equipment sold. The extent of liability, if any, with respect to this matter is expected to be minimal. Management is of the opinion that the ultimate resolution of this matter will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Operating Leases - The Company conducts a portion of its operations on leased premises. Future minimum lease payments under such noncancellable operating leases follow:

2003	$ 49,946
2004	25,725
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Rental expense for the years ended December 31, 2002 and 2001 approximated $81,900 and $77,600, respectively.

7. **SALES TO MAJOR CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK**

During 2002, the Company's largest customer accounted for $2,990,000 or 32.6% of the Company's net sales. During 2001, the same customer accounted for $2,350,000 or 21.2% of the Company's net sales.

In addition, the Company has a significant number of transactions with one joint venture partner. At December 31, 2002, joint venture receivables and payables from/to this partner totaled $3,232,314 and $1,755,659, respectively ($2,807,354 and $1,586,749, respectively, at December 31, 2001). As a consequence of a bankruptcy filing by this joint venture partner, amounts receivable from and payable to this partner have been presented as a net receivable in the accompanying financial statements. Additionally, included in the results of operations for the years ended December 31, 2002 and 2001 is a charge of $260,318 and $321,392, respectively, to recognize potential bad debt losses emanating from the joint venture partner's bankruptcy proceedings.

* * * * * *

Louisiana Chemical Equipment Co., L.L.C.
PLANT REMOVAL SURPLUS EQUIPMENT LIQUIDATIONS
USED CHEMICAL PROCESS EQUIPMENT

P. O. BOX 65064 BATON ROUGE, LOUISIANA 70896-5064
PHONE (225) 923-3602 FAX (225) 926-5237
E-MAIL: plants@lcec.com http://www.lcec.com

August 22, 2003

SENT VIA TELECOPIER:
601-961-5300

Mr. Jere "Trey" Hess, P.E., DEE
Mississippi Department of Environmental Quality
101 Capitol Centre
101 West Capitol Street
P. O. Box 20305, (39289-0385)
Jackson, Mississippi 39201

Dear Mr. Hess:

This letter sets forth the proposal of Louisiana Chemical Equipment Co., L.L.C. ("LCEC") to purchase all of the land, buildings, process equipment, spare parts, miscellaneous materials, drawings and documentation (the "Purchased Assets") of the former Vicksburg Chemical Company ("VCC") facility at Vicksburg, Mississippi, on the following terms and conditions:

1. The purchase price will be $2.5 million, payable in good funds at closing.

2. The purchase will be pursuant to the terms of a mutually acceptable definitive agreement to include terms and conditions typical of a transaction of this type, including, without limitation, the principal terms and conditions set forth below. LCEC will deliver a proposed form of such an agreement within five (5) business days following acceptance by MDEQ of this letter.

3. The Purchased Assets shall be free of all liens and encumbrances, and shall include all patent and other intellectual property rights necessary for operation of the process units without further payment for license or transfer fees, royalties, or other costs relating to the technology of the process units, and there shall be no payments due seller or any third parties for technology rights related to operation of the process units at any other location at which the units may be reassembled.

4. LCEC will deliver a deposit in the amount of $30,000 upon execution of the definitive agreement; the deposit will be applied to the purchase price at closing. If LCEC fails to close the purchase for any reason other than inability of seller to deliver clear title or technology rights, the deposit will be retained by MDEQ.

FAX

Louisiana Chemical Equipment Co., L.L.C.

P.O. Box 65064, Baton Rouge, LA 70896-5064
Phone: 225/923-3602—— FAX: 225/926-5237
E-MAIL: plants@lcec.com WEB: http://www.lcec.com

DATE: August 22, 2003

Rush ______ **Normal** ______

TO: Trey Hess/MDEQ

FAX NUMBER: 601 961 5300

FROM: Al Rotenberg

Number of pages including title page: 15

If the foregoing plan for disposition of the VCC assets is acceptable to MDEQ, please so indicate by signing in the space provided below, whereupon we will immediately commence preparation of a definitive purchase agreement for your review. Neither party shall be bound until execution of the definitive agreement. LCEC reserves the right to withdraw this proposal if it is not accepted within thirty (30) days of the date hereof. We look forward to hearing from you in this regard.

Regards,

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.

Alvin G. Rotenberg,
President

AGR/bpm

Attachment

Agreed to and Accepted this ___ day of __________, 2003.

MISSISSIPPI DEPARTMET OF ENVIRONMENTAL QUALITY

By:______________________________

5. MDEQ shall be responsible for removal of all hazardous materials and remediation of all surface and subsurface contamination, and will indemnify LCEC and its transferees from and against all liability in respect of environmental contamination from operation of the facilities prior to closing.

6. The purchase of the Purchased Assets will be on an "as is, where is" basis without warranty, except as specifically provided in the definitive agreement for title, technology rights and environmental matters.

7. LCEC shall be afforded a ninety (90) day period within which to conduct such due diligence investigations of the Purchased Assets as it deems appropriate, including without limitation, matters relating to taxation, environmental matters, dismantlement cost and such other factors as LCEC may deem appropriate. If the due diligence investigation reveals circumstances not anticipated by and unacceptable to LCEC, the purchase agreement may be terminated by LCEC without further liability, and MDEQ shall retain the deposit.

8. We anticipate closing of the purchase within thirty (30) days following completion of the due diligence investigation.

LCEC has over 30 years of experience in successfully dealing with projects of this type, including sale and relocation of in excess of 100 process units similar to the VCC units. Over the years, we have developed an excellent track-record and reputation for our handling of these types of projects, and we have the financial resources to undertake and successfully complete this project. Enclosed for your reference is a recent, audited financial statement of LCEC.

We believe that this proposal offers MDEQ the opportunity for quick and final disposition of the VCC assets without the contingencies, risks and uncertainties inherent in other proposals based on plans to resume chemical production on the site, considering the current unsettled environment of that industry. Our intention is to accomplish expeditious removal of the process units from the site, with sale of the real estate in parcels to the City of Vicksburg and/or other parties with whom we have held discussions, so that the property can be returned to useful and environmentally-friendly purposes in the near term. The quick closing which we anticipate will allow early termination of the ongoing expense and liability currently being incurred by MDEQ. We believe, further, that our plan for disposition of the Purchased Assets will not only maximize, in the near term, funds available to MDEQ for remediation of the site but will also enhance adjacent land values and create jobs and tax revenue for the City of Vicksburg.

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

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LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C. (Limited Liability Company)

Financial Statements for the Years Ended December 31, 2002 and 2001 and Independent Auditors' Report

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001
CURRENT ASSETS:		
Cash	$ 1,158,145	$ 1,045,846
Accounts receivable:		
Trade, net of allowance of $176,094 and $248,413 in 2002 and 2001, respectively	1,057,557	1,281,518
Joint venture partners, net of allowance of $1,220,605 and $960,287 in 2002 and 2001, respectively	951,922	1,703,270
Affiliates	3,896,808	3,512,091
Advances to suppliers	458,800	669,400
Inventories	6,571,751	6,791,581
Prepaid expenses and other assets	62,365	33,616
Total current assets	14,157,348	15,037,322
PROPERTY, PLANT AND EQUIPMENT - Net	886,980	929,539
	$15,044,328	$15,966,861

LIABILITIES AND MEMBER'S EQUITY	2002	2001
CURRENT LIABILITIES:		
Accounts payable and accrued expenses:		
Trade	$ 325,645	$ 315,212
Joint venture partners	300,234	1,262,936
Affiliates	17,276	56,081
Accrued compensation and other	472,811	978,264
Total current liabilities	1,115,966	2,612,493
COMMITMENTS AND CONTINGENCIES	-	-
MEMBER'S EQUITY	13,928,362	13,354,368
	$15,044,328	$15,966,861

See notes to financial statements.

Suite 3700
701 Poydras Street
New Orleans, Louisiana 70139-3700

Tel: (504) 581-2727
Fax: (504) 561-7293
www.deloitte.com

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

Louisiana Chemical Equipment Co., L.L.C.

We have audited the accompanying balance sheets of Louisiana Chemical Equipment Co., L.L.C. (the "Company") as of December 31, 2002 and 2001, and the related statements of operations, member's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

April 30, 2003

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
NET SALES	$ 9,163,377	$ 11,063,359
COST OF GOODS SOLD	4,306,733	5,077,331
GROSS PROFIT	4,856,644	5,986,028
SELLING AND ADMINISTRATIVE EXPENSES	3,538,513	4,021,735
INCOME FROM OPERATIONS	1,318,131	1,964,293
OTHER INCOME:		
Interest income	193,314	196,143
Other, net	69,041	136,128
Total other income, net	262,355	332,271
NET INCOME	$ 1,580,486	$ 2,296,564

See notes to financial statements.

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

STATEMENTS OF MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2002 AND 2001

BALANCE, January 1, 2001	$ 11,057,804
Net income - 2001	2,296,564
BALANCE, December 31, 2001	13,354,368
Member distributions - 2002	(1,006,492)
Net income - 2002	1,580,486
BALANCE, December 31, 2002	$ 13,928,362

See notes to financial statements.

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,580,486	$ 2,296,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Inventory writedowns	191,080	673,008
Depreciation and amortization	45,590	64,903
Gain on sale of property, plant and equipment	-	(90,000)
Provision for doubtful accounts	188,000	349,487
Changes in operating assets and liabilities:		
Accounts receivable	(348,756)	(747,665)
Advances to suppliers	210,600	(150,260)
Inventories	28,750	(1,359,766)
Prepaid expenses and other assets	(28,749)	112,620
Accounts payable and accrued expenses	(1,496,527)	529,172
Net cash provided by operating activities	370,474	1,678,063
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances from (to) affiliates	751,348	(1,272,688)
Capital expenditures	(3,031)	(5,000)
Proceeds from sale of assets	-	15,000
Net cash provided by (used in) investing activities	748,317	(1,262,688)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of member distributions	(1,006,492)	-
Net cash used in financing activities	(1,006,492)	-
NET INCREASE IN CASH	112,299	415,375
CASH AT BEGINNING OF YEAR	1,045,846	630,471
CASH AT END OF YEAR	$ 1,158,145	$ 1,045,846

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2001, the Company received cash of $15,000 for the sale of equipment and recorded $75,000 as a receivable.

See notes to financial statements.

LOUISIANA CHEMICAL EQUIPMENT CO., L.L.C.
(Limited Liability Company)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

1. THE COMPANY

Louisiana Chemical Equipment Co., L.L.C. (the "Company"), a wholly owned subsidiary of Diefenthal Investments, L.L.C. ("DI"), is a limited liability company, which terminates on December 31, 2020. The Company is in the business of selling and dismantling used chemical equipment, in the form of entire used plant facilities or individual pieces of equipment, primarily to foreign and domestic industrial chemical companies. A portion of the Company's sales is with joint venture partners in which the Company has joint venture sharing agreements. Proceeds from joint venture sales and purchases are shared on a pro rata basis as determined by the joint venture sharing agreements.

The Company is a member of a group of affiliated companies referred to as Southern Holdings, L.L.C. (the "Holding Company") and transacts business with other members of the group in the ordinary course of its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Deferred Revenue - The Company recognizes revenue for plant sales upon transfer of risk of loss to the customer based upon the terms of the individual contracts. Revenue for joint venture sales is recognized when the Company is entitled to receive payment from the joint venture partner in accordance with the terms of the individual contracts. Revenue for equipment sales is recognized when risk of loss passes to the customer.

A portion of the Company's plant sales are made to customers under terms which provide for billing throughout a contract period but which defer transfer of risk of loss until closing. Revenue on such contracts is deferred until the risk of loss transfers.

Joint Venture Partner Receivables and Payables - Joint venture partner receivables and payables arise from (1) sales of jointly owned equipment in which the Company or the joint venture partner is entitled to a share of the sales proceeds and (2) purchases of used chemical equipment in which a share of the purchase price of equipment is due to/from the Company or the joint venture partner.

Inventories - Inventories are valued at the lower of cost or market using the specific-identification method for used equipment. Provision is made to reduce unsaleable, obsolete, or excess quantities to their estimated net realizable values.

Property, Plant and Equipment - Property, plant and equipment are stated at cost. Maintenance and repairs are charged to operations as incurred; improvements and major repairs, which extend the useful life of the asset, are capitalized.

Depreciation is calculated based on the estimated useful lives of the related assets, ranging from five to forty years, using the double-declining balance method for assets placed into service through December 31, 1995 and the straight-line method for all assets placed into service thereafter.

Impairment of Long-Lived Assets - The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company assesses the recoverability of long-lived assets by determining whether the carrying values can be recovered through projected cash flows and operating results over their remaining lives. Any impairment of the asset is recognized when it is probable that such future undiscounted cash flows will be less than the carrying value of the asset. If the undiscounted cash flows do not exceed the carrying value, then an impairment is measured based on fair value compared to carrying value, with fair value typically based on a discounted cash flow model, comparable asset sales or solicited offers.

Income Taxes - No provision for federal or state income taxes is recorded in the financial statements, as the Company's results of operations are included in the tax returns of its member.

Reclassifications – Certain reclassifications of prior year amounts have been made to conform to the current year's presentation.

Recent Accounting Pronouncements – In 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"), which must be implemented by January 1, 2003. SFAS No. 143 requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. These liabilities will be recorded at their fair values (which are likely to be the present values of the estimated future cash outflows) in the period in which they are incurred, with an accompanying addition to the recorded cost of the long-lived asset. The asset retirement obligation will be accreted each year through a charge to expense, to reflect the time value of money for this present value obligation. The amounts added to the carrying amounts of the assets will be depreciated over the useful lives of the assets. The Company does not expect the implementation of this standard to have a material impact on its financial position, results of operations or cash flows.

In 2002, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets,* which the Company implemented effective January 1, 2002 that supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,* and sets the standards for measuring and recording impairments of long-lived assets. Additionally, this standard establishes requirements for classifying an asset as either held for use or held for sale, and changes existing accounting and reporting standards for discontinued operations and exchanges of long-lived assets. The Company does not expect the implementation of this standard to have a material impact on its financial position, results of operations or cash flows.

3. INVENTORIES

Inventories consist of used chemical equipment, including in certain instances, plant facilities. Inventories are classified as current assets in the accompanying balance sheets and are expected to be liquidated in the normal course of operations, although this may require more than one year.

During 2002 and 2001, the Company recorded a provision of $191,080 and $673,008 to reduce the carrying values of certain inventories to their estimated net realizable values.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31, 2002 and 2001:

	2002	2001
Land	$ 360,368	$ 360,368
Buildings and improvements	1,279,402	1,279,402
Machinery and equipment	710,440	707,409
	2,350,210	2,347,179
Less accumulated depreciation	(1,463,230)	(1,417,640)
	$ 886,980	$ 929,539

5. RELATED PARTY TRANSACTIONS

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* * * * * *

Harcros Chemicals Inc
5200 Speaker Rd.
P.O. Box 2930, 66110-2930
Kansas City, KS 66106-1095
Tel 913/321-3131
Fax 913/621-7718

HARCROS

August 21, 2003

Mr. Charles Chisolm
Executive Director
Department of Environmental Quality
2380 Highway 80 West
Jackson, Mississippi 39204

Dear Charles:

Please consider this the final offer of Harcros Chemicals, Inc. written in response to your letter dated July 21, 2003. As requested, we are not re-submitting our earlier proposals, but ask that they be read in conjunction with this letter.

Harcros Chemicals, Inc. has entered into an agreement with ARCADIS to jointly cleanup, reuse, and redevelop the Vicksburg Chemical property through ARCADIS' Guaranteed Remediation Program, with participation by the City of Vicksburg in the development of a championship style golf course on the uncontaminated portion of the property. After several discussions and a meeting with the City, followed by a written proposal from ARCADIS and Harcros, the City selected our joint proposal. The City is waiting on the Department's final decision before signing our agreement. A copy of electronic correspondence from the City documenting this information is attached.

We are very pleased to have ARCADIS as a partner. ARCADIS provides the experience in two critical areas – cleanup of the contaminated portions of the property through its Guaranteed Remediation Program and golf course development on the uncontaminated property. Because of ARCADIS' experience and financial stability, it provides a guaranteed program superior to any others. The reasons ARCADIS can provide this service are many.

ARCADIS invented the business. ARCADIS created the guaranteed remediation business in the early and mid 1990s in conjunction with its environmental insurance partners such as AIG.

ARCADIS has contracted more guaranteed remediation projects than any company in the country. ARCADIS also closed more guaranteed projects than any company in the country.

ARCADIS puts its company behind its cleanup guarantee. In contrast to a small company going straight to an insurance company, or setting up a limited liability company, ARCADIS puts its company first behind the cleanup guarantee. ARCADIS is an 8500-person, world-wide firm with $125 million in the bank and no debt.

ARCADIS gets proprietary insurance products not available to other firms. ARCADIS' long relationship with insurance providers, combined with the longest track record in the business, allows ARCADIS to provide protections and insurance products that no other company can provide.

Our proposal is as follows:

1. **A commitment to cleanup the contaminated portions of the property (the former VCC plant) to levels agreeable to the MDEQ and the EPA.** ARCADIS' Guaranteed Remediation Program provides cost certainty for the remediation / resolution of all environmental issues that may plague this site. This guarantee will be indemnified by AAA rated financial / insurance institutions and provides the most protective manner to deal with environmental issues during a real estate transaction.

2. **Determination of future land use developed with the City as a partner in the process.** ARCADIS has no stake in the selected end use, as opposed to developers that would develop to their specific use. An upscale, resort golf course, like several that ARCADIS is currently developing, is planned for the uncontaminated portion of the VCC site. Ownership and operation of the plant by Harcros, along with an associated buffer zone between the rest of the development, is also planned. The Bowmar Baptist Church request will also be included.

3. **A financing program that covers the cost of cleanup and development under one, comprehensive deal.**

4. **Additional development that will provide for employment of local citizens, will bring visitors to the area, and increase the quality of life for area residents.**

5. **Positive public relations for the City, the Department and the State.**

Due to the seasonal nature of sales in the fertilizer industry, it is critical that the Department make its final decision quickly. This will allow us to finalize the necessary components of conveying the property, and be in a position to participate in the 2004 sales market. One of the critical components in the process is the Economic Value Appraisal ("EVA") conducted by ARCADIS, with participation by the City and Harcros. Harcros is funding the EVA at a cost of $45,000. As the City recognized in the attached electronic message, it was unfair to ask that Harcros commit to the cost of the EVA before MDEQ's decision, not knowing whether its proposal would be selected. If the proposal is selected, Harcros and ARCADIS are committed to fast track this process and conclude the EVA process on a parallel track with finalizing agreements with MDEQ and

EPA for conveyance of the property. We plan to have both the EVA completed and property conveyed by September 30, 2003. Of course, this date is achievable, only if MDEQ makes its decision very soon.
Our time frame is as follows:

MDEQ Decision:	Wednesday, August 27, 2003
Prepare the EVA:	Wednesday, August 27 to Tuesday, September 30, 2003
Golf Course Planning Session With City:	Week of September 15, 2003
Complete Detailed Mechanical Inspection for Plant Restart	Friday, September 19, 2003
Finalize EPA/MDEQ Agreement	Wednesday, August 27 to Tuesday September 30, 2003
Convey Property:	Tuesday, September 30, 2003
Permits Transferred:	Tuesday, September 30, 2003
Begin Golf Course Development:	1st quarter 2004

The information we provided the Department in the first submittal gave corporate information on Harcros, which we would take this time to briefly review, since so much time has elapsed since that first submittal. Harcros Chemicals, Inc. is a chemical distributor operating out of 28 locations in the United States, mainly in the South and Mid-West. Additionally, Harcros manufactures ethoxylated and propoxylated products at its Kansas City, Kansas location. Sales in 2002 totaled $232,800,000.

The resources of Harcros, when combined with the experience of ARCADIS, will result in sustainable, complete redevelopment of the property with the City's involvement and guaranteed remediation, meeting MDEQ's requirements, as well as an industrial facility providing jobs for the community.

Yours truly,

Kevin G. Mirner
President and CEO

From: Nancy Thomas [nancyt@vicksburg.org]
Sent: Tuesday, August 12, 2003 10:47 AM
To: Trudy Fisher
Cc: chuck_barlow@deq.state.ms.us
Subject: RE: Vicksburg Chemical Property

Trudy -- After talking with Sid this morning, the City would rather wait until Aug. 22 or whenever DEQ decides what it is going to do before signing Harcros' proposal. We just think that it would not be good business for Harcros to go to the expense of doing its feasibility and then Pacific Chlorine's proposal be chosen by DEQ. We can wait 10 more days. Thanks.

-----Original Message-----
From: Trudy Fisher [mailto:tfisher@brunini.com]
Sent: Tuesday, August 12, 2003 8:48 AM
To: Nancy Thomas
Subject: RE: Vicksburg Chemical Property

Nancy, I was out of the office yesterday in meetings, will get back with you today as soon as I discuss with Kevin Mirner.

Trudy D. Fisher
Brunini, Grantham, Grower & Hewes
1400 Trustmark Bank Building
248 East Capitol Street
P.O. Box 119
Jackson, Ms 39201
601.960.6846

>>> "Nancy Thomas" <nancyt@vicksburg.org> 08/11/03 12:31PM >>>
Trudy -- The City has chosen to go with the Harcros/Arcadis proposal and we have notified
both Pacific Chlorine and MDEQ of that choice. However, the proposal that was e-mailed to me states that the city and MDEQ have to give an exclusive option period prior to beginning the feasibility study. MDEQ is not willing to do this. It is their opinion that they should wait until August 22 to get all proposals in hand. The city would like for the feasibility to begin ASAP. Additionally, the City will need to call a special board meeting to sign the proposal from Arcadis which means it will be public. Do we need to go ahead and do this now, or do you want to wait until after Aug. 22. Please let me know. We can call a special board meeting with 3 hours notice. Thanks. Nancy

-----Original Message-----
From: Trudy Fisher [mailto:tfisher@brunini.com]
Sent: Wednesday, July 30, 2003 10:54 AM
To: Nancy Thomas
Subject: Draft Letter

Nancy, I have attached the draft letter we plan on sending to the City today. If you have moment, can you please review and see if we have overlooked anything we discussed on Monday? Thanks, Trudy

Trudy D. Fisher
Brunini, Grantham, Grower & Hewes
1400 Trustmark Bank Building
248 East Capitol Street

P.O. Box 119
Jackson, Ms 39201
601.960.6846

MARSTEL DAY

CONSERVATION & CONSULTING FROM SEA TO STARS

120 South Payne Street
Alexandria, VA 22314
(703) 684-7300, (703) 684-7302

Fax Transmittal Sheet

To: Mr. Charles H. Chisolm, Executive Director

Fax #: 601-961-~~5944~~ 5715

From: John B. Rosamond

Re: Vicksburg Chemical Plant

Date: 8/20/03

Total Pages (Including Cover Sheet): 6

Comments: Charlie

Per our conversation of the 19th.
Question please call. My cell is 703-201-7633.
We are definitely interested in further discussions.
The potential is unlimited.
JBR

20 August 2003

Dear Charlie;

The attached concept proposal is forwarded for your consideration and subsequent discussion with the team of National Center for Sustainable Development/Brownfields Stewardship Fund, Marstel Day Management Consultants and Case Golf Company. We, as a team, are committed to pursue the project with the state of Mississippi, Department of Environmental Quality. Enclosed for your information is a letter from Mr. Sidney H. Beauman, Jr. declining the city of Vicksburg's interest in the concept and referring the proposal to your office.

The attached concept proposal was written with the city of Vicksburg in mind; however' it remains valid with modification regarding passing of title, project management and financing. These matters and more are open to further discussion with you and would be addressed in subsequent contractual arrangements.

As a side note, Roy Case has developed a land development plan consisting of three championship nine hole golf courses, a driving range, a gambling hole, clubhouse, residential development sites and more. Additionally, remaining acreage permits development of an upscale gated community with an additional eighteen hole golf course.

Charlie, the potential for the development of the 540 acres is unlimited. I would like to see the project go forward because it is a potential national treasure. When completed, I envision the project being similar to Kingsmill on the James River in Williamsburg, VA.

We look forward to further discussions with you.

Sincerely,

John B. Rosamond
Senior Consultant

Phone: 703-360-0567

Fax: 703-360-4864

Proposal for BSF –Vicksburg
Newco Development Corporation
July 24, 2003

Proposal:

To create a master strategy and implementation outline of the necessary action steps required for the comprehensive management of the cleanup, environmental restoration, land use planning, financing and new economic development of approximately 540 acres comprising the former Vicksburg Chemical Plant site.

Concept:

To have the City of Vicksburg acquire the site title from the Mississippi Department of Environmental Quality by the most appropriate means, to manage the environmental restoration and land use planning process, then the staged construction and development of two golf courses appropriate to the site to accomplish municipal and destination resort market objectives, support the current and projected casino market demand for high quality golf time and enhance the quality of life consistent with new redevelopment efforts of the city downtown.

To strategically position Vicksburg with these golf venues and related recreation/entertainment facilities to attract regional and national attention for economic development and add stimulus to tourism, civic pride and sustainable long-term property and infrastructure investment.

Background:

On June 26, 2003, trustees of the National Center for Sustainable Development/ Brownfields Stewardship Fund in Dallas and Washington, DC, a senior manager from Marstel Day Management Consultants in Alexandria, VA and the President of Case Golf Company met with the Mayor of Vicksburg, City Aldermen and economic development officials. The day-long series of meetings and tour of the site were complemented by the city leadership's clear message that results need to be forthcoming in a current window beginning within the next six months.

Also, it was abundantly clear that a golf solution needs to complement current development interests underway in the local casino market and the historic downtown revitalization. Expansion of development plans underway must ensure future attractiveness to continued casino investment. Simultaneously, planning must support the longer term sustainable growth of Vicksburg as a destination venue compatible with the revitalization of the historic downtown area, capturing the imagination of local, state and national constituencies to Vicksburg's impressive existing assets.

Initial Ideas:

From our preliminary discussions, concerning the new economic development phase, it appears that a master redevelopment plan is required that envisions the creation of two signature golf venues - the more immediate need being to create a revenue producing course for the City of Vicksburg exceeding the expectations of traditional municipal course golfers, and inspiring voters to support a city-backed bond financing. A successful city-owned course (27 holes) will set the stage for creating value in secondary planned parcels for residential, hotel or retail to be anchored by a higher amenity "Club Course." The Club Course would not compete with the exclusivity of the local country club, rather, operate under the gated community/resort concept such as Kings Mill in Williamsburg, VA and cater to the premium casino or destination vacationer as well as new residents attracted to the lifestyles of revitalized Vicksburg. Time is of the essence, given the important seasonal growing requirements for the city-owned course, to begin planning, financing and construction.

The Brownfields Stewardship Fund would ultimately acquire title to the site from the City of Vicksburg after the site title is acquired from the MDEQ to the City of Vicksburg. The asset would be placed in a single asset subsidiary corporation of the Brownfields Stewardship Fund. The newco, "BSF-Vicksburg" would be the manager of the contract, would be the recipient of the proceeds of the initial revenue bond financing, and would employ Case Golf Company. Our preliminary estimate for the bond financing should be approximately $10 million. This does not mean the project will cost $10 million but rather represents a ceiling for the purpose of the revenue bond. BSF-Vicksburg would be the manager of the clean up of the site, working to gain regulatory approvals of MDEQ consistent with the intent and supervision of the New York Bankruptcy Court and Trustee. Marstel-Day Management Consultants would serve as the sole senior consulting firm and review decisions associated with the endeavor.

BSF-Vicksburg would negotiate with the casinos and other interested parties to pre-sell up to a substantial minority of the golf playing rounds for their customers as a gaming draw or corporate customer enhancement. The majority of the tee times, however, would be available to the public on a first come first served basis. As part of the City Course, a driving range, golf school, and a nine-hole executive course could be part of the first package of deliverables. A clubhouse with nice amenities could also generate fees to defray the revenue bonds. We believe this initial phase will create a major, multidimensional interest for residents and the gaming customers.

BSF-Vicksburg, serves as project manager for environmental remediation and regulatory approvals, master land use planning, golf course planning and oversight through Case Golf Company, and financing advisor. BSF-Vicksburg is the comprehensive solution to the varied city interests, those of the casino operators with their substantial investment, the State's environmental mandate and the reuse of the site consistent with the bankruptcy court mandate.

Next Steps:

The foregoing initial thoughts are not comprehensive but give an overview of our collective thinking on how to tackle the problems and seize the opportunities at hand in a timely manner. To develop the plan and implement the program will require a financial commitment now from the City of Vicksburg to fund the pursuit of these objectives.

We propose to undertake the work and planning, to spend the time and effort, travel and discussions to render a comprehensive solution under contract to the City of Vicksburg. The Contract would be for the duration of the project, at a rate of $18,000.00 dollars per month, plus actual documented expenses not to exceed $10,000 per month. This is the proposal to commence work on the planning and implementation for the concepts mentioned. Any contract would contemplate the continuation of this approach for the proposed Club Course. Please let John Rosamond know if this is an approach of interest. Thank you.

CITY OF VICKSBURG

P. O. BOX 150 VICKSBURG, MS 39181-0150 (601) 634-4554

LAURENCE E. LEYENS
MAYOR

GERTRUDE A. YOUNG
ALDERWOMAN

SIDNEY H. BEAUMAN, JR.
ALDERMAN

July 29, 2003

Mr. John Rosamond
Marstel-Day, LLC
120 South Payne Street
Alexandria, VA 22314

RE: VICKSBURG CHEMICAL PLANT AND PROPERTY

Dear John,

Thank you for the proposal you and your group submitted to the City of Vicksburg regarding the cleanup and development of the Vicksburg Chemical property. We appreciate your interest; however, at this time, we are not interested in the proposal you submitted to us.

You might want to submit your plan to Mr. Charles Chisolm of the Mississippi Department of Environment Quality. He may be interested in a proposal that will guarantee remediation of the plant property and satisfy the City of Vicksburg simultaneously.

Thank you for your courtesies in the matter.

Sincerely,

Sidney H. Beauman, Jr.
Alderman

STATE OF MISSISSIPPI
DAVID RONALD MUSGROVE, GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHARLES H. CHISOLM, EXECUTIVE DIRECTOR
July 21, 2003

Via Facsimile

Kevin Mirner, President and CEO
Harcros Chemical
P.O. Box 2930
Kansas City, KS 66110-2930

Scott Wilderman, President
Pacific Chlorine, Inc.
0 Loraine Court
San Francisco, CA 94118

EXHIBIT

1 [illegible]

Dear Mr. Mirner and Mr. Wilderman:

Your companies have shown consistent interest in the purchase of the Vicksburg Chemical Company facility over the past several months. As you know, MDEQ has not been able to reach an agreement with any company for the sale of the facility and the accompanying real estate. As you also know, MDEQ is very interested in the opinion of the City of Vicksburg with regard to proposals for the sale and subsequent use of the property.

MDEQ intends to make a decision in the near future as to the disposition of this facility and property. In order to expedite that process, please take note of the following:

1. If you remain interested in this facility and property, you should deliver a detailed offer to purchase the facility and property, provide environmental insurance, reach a guaranteed fixed price remediation contract, sell property to the City, etc., or any combination of the above that you choose to create your offer package, to Trey Hess of MDEQ no later than the close of business on August 22, 2003. You should not resubmit information already provided, but please highlight any information that you wish for MDEQ to consider that is in addition to or different from the proposal you delivered to MDEQ in response to MDEQ's previous formal request for proposals.

2. MDEQ does not intend to enter a period of "exclusive negotiations" or an option contract with any party. You should make any additional

Pacific C. 0108

POST OFFICE BOX 20305 • JACKSON, MISSISSIPPI 39289-1305 • TEL: (601) 961-5000 • FAX: (601) 961-5794 • www.deq.state.ms.us
AN EQUAL OPPORTUNITY EMPLOYER

investigation of the facility and property and/or have sufficient communications with those who may be partnering with you in this endeavor (such as, but not limited to, a brownfields remediation specialist or environmental insurance provider) between now and the August 22 deadline so that the additional information submitted by you, if any, by that date is a detailed offer to purchase the facility and property, provide insurance, sell property to the City, etc., or any combination of the above. Trey Hess will attempt to arrange additional access to the site for you if that is necessary.

3. Your information submitted by August 22 should include the draft of a sales contract, agreement, or other similar document(s) through which you would propose to execute a purchase.

4. You should plan to have discussions with the City concerning your proposal prior to submitting your information to MDEQ. You should contact the City as soon as possible to schedule this meeting.

5. This process is not limited to participation by your companies, but MDEQ views your companies as the two primary interested parties at this time. MDEQ, however, is not obligated to accept any proposal made to it by you or by others.

MDEQ appreciates your interest in the Vicksburg Chemical Company facility and property, and we hope that this process will bring the issue to a close in an expeditious manner. Please contact Trey Hess of my staff at 601-961-5654 if you need additional information.

Sincerely,

Charles H. Chisolm
Executive Director

City of Vicksburg
Legal Department
1401 Walnut St.
P. O. Box 150
Vicksburg, MS 39181
(601) 631-2983 phone
(601)634-6232 fax

Nancy D. Thomas
City Attorney

Walterine Langford
Bobby D. Robinson
Associate City Attorneys

June 16, 2004

William W. Rucker, Esq.
Rucker & Middleton, L.L.P.
3801 Kirby Drive, Suite 710
Houston, Texas 77098

Via U.S. Mail & Fax 713-528-5011

RE: Claim of Pacific Chlorine, Inc. ("PCI") against the City of Vicksburg, Mississippi

Dear Mr. Rucker:

The Mayor and Aldermen of the City of Vicksburg, Mississippi have requested that I respond to your letter dated April 15, 2004 on their behalf.

The City of Vicksburg denies PCI's claim on the basis that most of the information contained in your letter dated April 15, 2004 is not correct. MDEQ did not delegate any of its authority under the Abandonment Order to the City. MDEQ only asked the City what it would like to see happen regarding the VCC property and the City's response was that the City would like to build a golf course on the property that is not contaminated and is west of the railroad tracks and further, the City would like to see the plant site developed as something other than a chemical plant. That is still the City's preference; however, the City understands that in order to solicit an interested party to take on the clean up responsibility, the most feasible use of the plant site is to operate it as a chemical plant. In fact, while the City realizes that Harcros may reopen the plant, Harcros initially proposed that it may use the plant site as a distribution center. To the City's knowledge, Harcros has not yet made a determination as to the final use of the plant site. Other than general zoning regulations, the City of Vicksburg never had and does not currently have any jurisdiction over the use of that property.

The City did not encourage PCI to perform any due diligence. PCI voluntarily submitted a proposal and could have withdrawn its proposal at any time. The City did not receive any information from PCI regarding its proposal except to discuss the clean property the City wanted to buy for the golf course. All correspondence and documents that were provided to the City were returned to PCI upon your request.

The City of Vicksburg does not have any remediation information from PCI or any other entity and therefore, could not have passed such information to another party.

The MDEQ is doing its best to find a good outcome for a bad situation that was dropped in its lap. In working towards that outcome, MDEQ requested input from the City of Vicksburg because whatever happens to the contaminated property and the clean property will affect the health, safety and welfare of the citizens of Vicksburg. There was no conspiracy to defraud PCI and PCI was not misled. PCI could have withdrawn its proposal and not spent its money on the due diligence. To the City's knowledge, PCI was not guaranteed the property or anything else for that matter. It was given notice of the process and the items which would be considered.

The City respectfully requests that PCI withdraw its claim. Please contact me if I can provide further clarification regarding these matters.

Sincerely,

Nancy Thomas

Nancy Thomas

cc: Mayor and Aldermen, separate copy to each
Mr. Charles Chisolm, MDEQ
Mr. J. I. Palmer, Jr., Regional Administrator, EPA

FULCRUM LAW GROUP

200 EAST END AVENUE
SUITE 2-1
NEW YORK, NEW YORK 10128

(212) 810-2114
FACSIMILE: (212) 937-2495

JUN 2003
Received
Executive Director
DEQ

June 10, 2003

VIA FACSIMILE & U. S. MAIL

Mr. Charles Chisolm
Executive Director
Mississippi Department of Environmental Quality
P.O. Box 20305
Jackson, MS 39289-1305

Re: Vicksburg Chemical Company Property in Vicksburg, Mississippi (the "Site")

Dear Mr. Chisolm:

In speaking with Trey Hess, it is our understanding that Mississippi Department of Environmental Quality ("MDEQ") has encountered difficulties with respect to the Jacobs bid to remediate and redevelop the former Vicksburg Chemical Site. Mr. Hess indicated that, as a result, MDEQ is still actively seeking to secure remediation and redevelopment funding for the Site. The state's focus has, to date, been on traditional funding mechanisms, such as the sale of uncontaminated portions of the Site. However, while it is apparent to us that MDEQ is continuing the process of identifying potential Site purchasers, it does not appear that MDEQ has commenced the process of actively identifying and pursuing responsible parties and/or their insurers for clean up costs. We believe that the State of Mississippi's legal claims against these parties represent a *substantial asset* that could be leveraged into a funding source for the remediation and redevelopment of the Site and should be fully considered and evaluated prior to the transfer of the Site to any third party.

On behalf of the Fulcrum Law Group ("Fulcrum"), I am pleased to submit a proposal to provide assistance to MDEQ in its efforts to obtain additional funds, through cost recovery or other legal actions, so as to allow the continued investigation and remediation of the Site at the lowest possible end cost to the Department. Such assistance would include a thorough legal assessment and analysis of cost recovery prospects, including actions against potentially responsible parties and their insurers. A preliminary review of historical Site ownership indicates two elements associated with the Site that might significantly improve the chances of such recoveries, including: (1) several large, viable corporate entities who, either directly or through predecessor entities, caused or contributed to contamination at the Site; and (2) a pattern of substantial releases that occurred prior to 1973, so as to be potentially recoverable under certain favorable insurance policy provisions that predate the so-called pollution exclusion provisions contained in today's comprehensive general liability ("CGL") policies.

In order to fully assess whether such legal actions are technically, economically and legally possible, Fulcrum would utilize the services of competent local counsel, experienced insurance archeologists, as well as various technical and financial experts employed by the American Brownfields Assurance Company ("ABAC"). If, as expected, legal action in association with the Site is deemed viable, MDEQ and other interested stakeholders could have a *significant* additional asset in the form of such claims. That asset could then be utilized, along with others, for the continued remediation and redevelopment of the Site. In fact, once such a determination has been made and the prospects for legal recovery are better quantified as set forth in this proposal, other sources of remedial funding, ranging from property sales and leases to grants, can also be identified and an overall funding model can be formulated.

Until the viability of potential legal action is assessed, quantified and incorporated into an overall funding model, any remedial proposal received by MDEQ will necessarily be *more costly* than an approach which accounts for these potential legal recoveries. Further, after a funding model incorporating potential legal recoveries has been finalized, the principals of ABAC would be glad to provide a separate proposal to MDEQ, pursuant to which *all* available funding sources might be combined with innovative remedial structures, including guaranteed fixed price remediation contracts, cost cap insurance, environmental remediation trusts, qualified settlement funds and other tax incentives. Use of these approaches would assure that MDEQ receives the most prompt, efficient and complete Site remediation possible, while simultaneously *minimizing* total out-of-pocket costs to the Department.

However, it is important to note that, whether or not MDEQ ultimately utilizes the services of ABAC, the legal work set forth in the proposal would act to *maximize* MDEQ's ability to effectuate a more definitive land use and remediation plan for the Site through a more accurate assessment of potentially available resources.

Proposal

To foster better client understanding, we make it a practice to describe and reduce to writing the bases and agreement on which we provide and bill for services. In addition to serving as our proposal, this letter is designed for that mutually beneficial purpose. The following proposed terms, when accepted by you, will form the basis of our working relationship with regard to the investigation and preliminary assessment of cost-recovery strategies from one or more responsible parties and/or their insurance companies, as more particularly described in paragraph 7 below (the "Project").

1. <u>Professional Undertaking</u>. I will have primary responsibility for your representation, acting as a "Project Manager" for the Project, and will use other attorneys and legal assistants in the best exercise of my professional judgment. As described below, I will also manage on your behalf technical and other professionals in completion of the Project. Naturally, if at any time you have any questions, you should contact me immediately.

2. <u>Fees</u>. In paragraph 7 below, I have outlined the anticipated scope of work and estimated time frame for the Project. My hourly rate is $350, as is that of my partners. However, we are willing to extend our governmental discount rate to $290 per hour to MDEQ, as we often discount our rates to our governmental clients. We anticipate working, on average, approximately fifty (50) hours/month on this Project, and are willing to make this a "not to exceed" contract at $15,000 per

month for an eight month period with respect to legal fees, payable in advance on or before the first of each month. To the extent that the Project requires materially more of our time than 50 hours/month, we shall discuss the reasons for the variance and work with MDEQ to revise this fee agreement in a fair and reasonable manner to reflect such additional time. On occasion questions do arise on the subject of fees, and should that occur I am of course ready to discuss this subject freely and fully.

3. Disbursements. It is often necessary for us to incur expenses for items such as travel, lodging, meals, telephone calls and transcripts (all billed at our cost). Often matters require additional ancillary services, such as photocopying ($0.25 per page), word processing, secretarial, computerized legal research and staff overtime. In order to allocate these expenses fairly, and keep billing as low as possible for those matters which do not involve such expenditures, these items are separately classified on our statements as "expenses." Most of these expenses represent out-of-pocket costs, while some may represent an allocation of overhead costs associated with the foregoing items or a combination of both factors (*e.g.*, copy costs reflect paper and toner costs, as well as maintenance costs allocated to the copier).

4. Billings. Our billing statements may provide a general description of work performed and outstanding amounts owed. If specifically requested by you, we will furnish appropriate supporting information. Payment is due upon your receipt of the billing statement.

5. Late Payments. Occasionally, a client has difficulty in making timely payment. To avoid burdening those clients who pay their statements promptly with the higher fees reflecting the added costs we incur as a result of clients who are delinquent, a charge is imposed for late payments. The late charge is calculated at one percent (1%) per month, compounded monthly, applied to the outstanding balance of all bills remaining unpaid after payment is due. In the unlikely event that legal proceedings are required to collect fees and costs, we shall be entitled to reasonable attorney's fees and other costs of collection.

6. Termination. You have the right to terminate the representation at any time. We have the same right, subject to applicable provisions of the Code of Professional Responsibility. If our representation is terminated, you agree to take all steps necessary to free me of any obligation to perform further services, including the prompt execution of any documents necessary to complete our termination of services and we will be entitled to be paid for the services rendered and disbursements paid on your behalf to the date of termination and thereafter to the extent required to permit the smooth transition of your matter(s) and files.

7. Scope of Project. The Project will be comprised of a broad legal assessment, involving various legal, technical and financial analyses, which will:

(a) identify factors likely to impact legal claims and recoveries associated with the Site;

(b) include an assessment of available CGL and other insurance policies issued to responsible parties, in an effort to determine whether they contain favorable provisions that might form a legal basis for claims against insurers;

(c) provide a best estimate or range of potential costs associated with any proposed litigation, as well as alternatives to minimize legal costs to MDEQ (such as potential contingency and modified contingency fee arrangements);

(d) include a preliminary analysis of the impact of potential recoveries and other funding sources on the timing, scope and nature of proposed Site remediation and redevelopment activities;

(e) provide recommendations and a conceptual strategy regarding actions to be taken by MDEQ to maximize available funding for Site remediation and redevelopment; and

(f) prepare and remit a Final Report, integrating and summarizing the materials and information gained during the Project.

8. Duration. I estimate that the Project will take approximately six (6) months to complete, and that a draft Feasibility Study Report will be provided to MDEQ within sixty (60) days of such completion. However, this estimate is somewhat dependent upon the ability of Fulcrum to obtain actual or specimen policies, or other evidence of such policies, that may have been issued to responsible parties.[1] Notwithstanding the estimates set forth herein, should circumstances materially change the scope of the Project, or should you request additional work outside this defined scope of work, any additional fees and costs will be incurred at standard rates after consultation with MDEQ.

9. Experts. For purposes of technical analysis and specifications, experienced professionals will be retained by us, it being understood that the aggregate budget for the Project for all technical experts is estimated to be sixty thousand dollars ($60,000) and *shall not exceed* such amount without MDEQ's prior approval.

For your information, I am attaching resumes for both A. J. Birkbeck and myself, as the two principal attorneys who would be working on this Project on MDEQ's behalf. If the foregoing constitutes our agreement, kindly sign a copy of this letter and return it to me. Alternatively, please let me know if you have any questions.

Sincerely,

Daniel A. Alper

Attachments

[1] It is important to note that, for purposes of this preliminary assessment, it is not necessary to construct a complete primary and excess insurance coverage history for all responsible parties and all years. Insurance recovery actions often involve only a certain number of "favorable" policies issued during key years involving significant releases. As such, Fulcrum and its agents should be able to reasonably determine whether an insurance recovery action is viable, based on a limited number of available policies.

PROPOSAL ACCEPTED AND AGREED:

Mississippi Department of Environmental Quality

By:____________________________

cc: Chuck D. Barlow, Esq., MDEQ
Jere "Trey" Hess, P.E., DEE, MDEQ
A. J. Birkbeck, Esq., Fulcrum Law Group

ALBERT "A. J." BIRKBECK

2093 ROBINSON ROAD, GRAND RAPIDS, MI 49506
PHONE (616) 458-9900 • FAX (616) 458-9911

EMPLOYMENT

MANAGING ATTORNEY — **January 2001-PRESENT**
Fulcrum Law Group — ***Grand Rapids, Michigan***

Founded a national law practice, with offices in Michigan, Illinois and Colorado, dedicated to the innovative practice of environmental law. Presently handle a broad range of governmental regulatory work, environmental compliance work, and complex environmental litigation. Currently working with various federal, state and local governments on behalf of clients in the compliance and cleanup process (especially with regard to groundwater contamination), often acting as an instrumentality of various state and federal courts. Representations currently include both plaintiff and defense work, mostly for quasi-governmental 468B Trusts, as well as to medium and large businesses. These representations require extensive working knowledge of both state and federal environmental statutes and regulations.

PRESIDENT AND VICE CHAIRMAN — **September 1999-PRESENT**
American Brownfields Assurance Company — ***Chicago, Illinois***

Founded the company, which markets and provides administrative support to a series of state "Sentinel Trusts" which, in turn, provide for the verification of control mechanisms. When a land developer or responsible party cleans up a Brownfield or other contaminated property to less than pristine or residential standards, governments usually require institutional controls (*e.g.*, deed restrictions) or engineered controls (*e.g.*, asphalt covers or caps) for the "risk-based" clean up to protect human health and to assure that the property is *not* used for residential purposes. Each state Sentinel Trust provides periodic certification of institutional and engineered controls to state and federal regulators on behalf of responsible parties, thereby assuring that those controls remain protective of human health and the environment. Currently negotiating with states to implement individual Sentinel Trusts within those states, as well as working with officials in those states toward the implementation of certification rules and regulations.

DIRECTOR AND GENERAL COUNSEL — **January 2002 - PRESENT**
ERS Corporation — ***Midland, Michigan***

Acting as Director and General Counsel for a company which provides commercial entities with software for purposes of satisfying state and federal reporting requirements associated with the storage, handling, use and disposal of hazardous materials, substances and wastes. Advise the company with respect to contracts, corporate matters, compliance issues, intellectual property and other legal issues associated with company activities. Work closely with corporate officers with regard to virtually every aspect of the corporation. Presently working with the company to expand its product lines to potentially include waste reduction and recycling analysis, as well as end-user assistance in formulating mandatory risk assessment documents. Also act as a director on the Board of Directors to ERS Corporation, elected to three year term in early-2002.

MANAGING PARTNER - CHICAGO OFFICE — **September 1997-December 2000**
Fulcrum Environmental Law, L.L.P. — ***Oak Park, Illinois***

Co-founded a national law practice, focusing on environmental law, with offices in Illinois, California and Montana. Representations included private, quasi-governmental and governmental entities. Also represented clients involved in state and federal litigation, and in negotiations with regulators and other compliance related work. These representations required an in-depth theoretical and working knowledge of the federal statutes, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA or "Superfund"), the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (RCRA), the Water Pollution Control Act (CWA), the Oil Pollution Act of 1990, the Clean Air Act (CAA), the National Environmental Policy Act of 1969 (NEPA), the Pollution Prevention Act of 1990, the Safe Drinking Water Act (SWDA), as well as the state and local equivalents of these laws, if any.

MANAGING ATTORNEY - CHICAGO OFFICE — **November 1993-August 1997**
Zevnik Horton Guibord & McGovern, P.C. — ***Chicago, Illinois***

Responsible for directing corrective actions, environmental cleanups, and working with federal, state and local regulators to accomplish these goals in a cost-effective manner. Acted on an advisory basis to state and federal regulators regarding various issues, including "environmental equities" and the drafting of regulations regarding naturally occurring radioactive materials. Also involved in federal and state environmental litigation on behalf of private and governmental entities. Directly involved in a significant case regarding the constitutionality of certain municipal environmental code provisions, and also negotiated Consent Decrees with governmental entities. Was responsible for office functions, including human resource management and information systems.

ATTORNEY - CHICAGO OFFICE — **September 1991-October 1993**
Winston & Strawn — ***Chicago, Illinois***

Worked on all aspects of environmental litigation and regulation, including RCRA, CERCLA, groundwater issues, radioactive waste, cost recovery actions, federal and state environmental compliance actions, as well as complex environmental insurance coverage work. Was also responsible for assisting clients with contractor selection and for drafting host agreements with state and local governments. Also involved in a large number of corporate transactions. Acted as attorney liaison with information systems department.

SENIOR FINANCIAL ANALYST - CHICAGO HEADQUARTERS — **June 1985-August 1988**
Amoco Corporation (presently BP) — ***Chicago, Illinois***

Responsible for reporting to top management and the board of directors on operations and other issues arising in the Middle East and Africa. Subsequently responsible for industry analysis and competitor analysis. Also worked to quantify costs of compliance with various governmental requirements. Responsible for the creation and maintenance of extensive financial computer models utilized in various areas of operations.

Education

Juris Doctor — **1988-1991**
University of Chicago - Law School — ***Chicago, Illinois***

1991, J.D. Environmental Law Association. Focus on environmental and governmental policy, as well as real estate law, tax law, and law & economics courses.

Masters of Business Administration - Finance — **1983-1995**
University of Michigan - Graduate School of Business — ***Ann Arbor, Michigan***

1985, M.B.A. Graduated *cum laude*. National financial honorary fraternity. Concentrated in corporate finance & accounting, with a minor in operations management. Studied business law, real estate finance & international finance. Sole student liaison member on dean's committee.

Bachelor of Science – Geological Science — **1980-1983**
University of Michigan — ***Ann Arbor, Michigan***

1983, B.S. Graduated *cum laude*. Concentrated in hydrogeology and sedimentology, with additional studies in mineralogy and geophysics.

Bachelor of Arts - Economics — **1980-1983**
University of Michigan — ***Ann Arbor, Michigan***

1983, B.A. Graduated *cum laude*. Studies included econometrics, economic modeling, antitrust economics and international economics.

Oceanography — **1982**
Boston University — ***Woods Hole, Massachusetts***

Studied physical oceanography at the Woods Hole Oceanographic Institution, as accredited through Boston University. Also conducted extensive scientific research, regarding water characteristics and fluid dynamics aboard Research Vessel Westward in the Caribbean Sea in the Spring of 1982.

Geology and Economics — **1978-1980**
Albion College — ***Albion, Michigan***

Elected to the freshman honorary academic fraternity for Arts and Sciences. Studied biology, geology and economics on an undergraduate basis for two years prior to transferring to the University of Michigan.

Continuing Legal Education — **1991-Present**

Continuing legal education has included National Institute of Trial Advocacy training in trial advocacy and in depositions. Other training includes ethics training, as well as frequent attendance at regulatory and statutory update seminars relating primarily to environmental law.

ORGANIZATIONS AND ACTIVITIES

- ***American Bar Association*** - Active Member (since 1989)
    - *Land and Natural Resources Section* - Active Member
- ***American Association of Petroleum Geologists*** - Associate Member (since 1979)
- ***Illinois State Bar Association*** - Active Member (since 1991)
    - *Appointed to the Environmental Section Council* - as Council Member was responsible for reviewing state and federal environmental legislation, determining its potential impact, and recommending modifications or passage of specific legislation (1999-2001).
    - *Environmental Section* - Active Member (since 1991)
- ***Chicago Bar Association*** - Active Member (since 1991)
- ***State Bar of Michigan*** - Active Member
- ***Grand Rapids Bar Association*** - Active Member
- ***Environmental Law Institute*** - Active Member (since 1995)
- ***Government Commissioner Positions***
    - ***Energy and Environment Commission*** - included consideration of potential ordinances and negotiation of contracts with waste companies (1998-2001).
    - ***Barrie Park Cleanup Commission*** - oversaw groundwater investigation and cleanup activities at former MGP facility (2000-2001).
- ***Admitted*** - to practice law in the State of Illinois
- ***Admitted*** - to practice law in the State of Michigan
- ***Admitted*** - to practice in the U. S. District Court for the Northern District of Illinois.
- ***Who's Who in America*** - both general and legal editions
- ***University of Chicago*** - student advisor (since 1993)
- ***Published Articles*** - including publication in the *Chicago Lawyer* and the Illinois State Bar's *Journal of Environmental Law*.

Representative Projects and Experience

- ***Project Management*** - have provided direction to clients, both private and governmental, with respect to numerous environmental cleanups. Such advice has addressed virtually every aspect of the cleanup process, ranging from selection of contractors to legal compliance. Have directed individual remediation projects in excess of $30,000,000, realizing significant savings through the use of innovative and practical approaches.

- ***Participated in the CERCLA/"Superfund" Legislative Process*** - identified implications of proposed CERCLA legislation and sought to modify the proposed law in the Legislative and Executive branches of the U. S. Government in efforts to mitigate potential adverse impacts to clients.

- ***Formulation of Regulations*** - participated in virtually every meeting of the United State's Environmental Protection Agency's Science Advisory Board, regarding the formulation of comprehensive standards for the regulation of Naturally Occurring Radioactive Materials (NORM), on behalf of a major oil client. Subsequently, drafted proposed regulations regarding NORM for government officials in the State of Illinois.

- ***Legal Advice to Legislators*** - as an active member of the Illinois State Bar Association, formulated and presented recommendations regarding legal and economic impact of proposed statutes, regulations and guidance directly to legislators.

- ***Advice to Government Officials on Sensitive Issues*** - worked with U. S. Dept. of Justice and the U. S. Environmental Protection Agency to address the public's concern that adverse environmental conditions are located primarily in economically disadvantaged areas, *i.e.* "environmental equities." Federal, state and local officials required assistance in addressing this politically sensitive issue.

- ***Host Community Agreements*** - have advised clients on reaching agreements with governmental units with respect to environmentally controversial projects and have participated in the negotiation of such agreements.

- ***Financial and Other Computer Modeling*** - have been extensively involved in the drafting and oversight of computer modeling of various financial and technical environmental scenarios. Such models have been both prospective and historical in nature.

- ***Business Formation*** - have founded, co-founded or otherwise helped to establish a number of businesses ranging from corporations and limited liability companies to partnerships and sole proprietorships.

- ***Corporate Transactions*** - have advised clients with respect to various aspects of mergers, acquisitions and business development, including multi-million dollar transactions. While the advice provided has often related to environmental issues, have also provided advice regarding a broad range of other legal and business issues.

- ***Financial Decision-making*** - have acted in a financial capacity within several organizations, ranging from Fortune-100 companies to sole proprietorships. Actions have included securing of financing, negotiation of contracts with vendors and key employees, and working with accountants and financial auditors. In addition, as noted above, have designed computerized financial control mechanisms.

- ***Information Systems*** - have been responsible for selecting and implementing various information systems, including financial, document management, client billing, security and communications systems. Extensive working knowledge of Windows and many Windows-based applications.

DANIEL A. ALPER

200 EAST END AVENUE, #2-I
NEW YORK, NEW YORK 10128

TEL. (212) 810-2114
DANALPER@FULCRUMLAW.COM OR DAALPER@AMERICANBROWNFIELDS.COM

EXPERIENCE

American Brownfield Assurance Company
(Environmental Assurance and Consulting Company) *1/03* - Present

Chairman and Executive Vice President

- Initiating, structuring and closing consulting and principal transactions with corporations, states and federal governments concerning environmental assurance and insurance programs, including the Sentinel Trust.™

Fulcrum Law Group
(Law Firm) *1/03* - Present

Managing Attorney – New York Office

- Practicing environmental, tax and corporate law in an of counsel capacity in a national law practice, including structuring entities in conjunction with corporations and state and federal governments and identification of applicable laws associated with environmental assurance and insurance.

MGP Environmental Partners LLC, Stamford, CT
(Environmental Assurance and Insurance Consulting) *9/97 – 12/02*

Founding Partner and Managing Director

- Created and developed The Guardian Trust™ program and conducted a Pilot Study for the Commonwealth of Pennsylvania and the United States Environmental Protection Agency
- Retained by the Secretary of the Environmental Protection Agency for the State of California to design and implement the Financial Assurance and Insurance for Redevelopment program, a first of its kind state environmental insurance program
- Representation of chemical company with respect to reuse of contaminated Superfund site (including zoning and land use, master development and insurance issues)
- Worked for private sector clients in devising integrated remediation and redevelopment strategies for contaminated properties

Greenberg Traurig, LLP
(Law Firm) *9/00 – 12/01*

Of Counsel

- Worked exclusively with clients involved in the redevelopment of contaminated properties
- Representation of national redeveloper of contaminated properties in all aspects of property acquisition, remediation, redevelopment and disposition
- Representation of Federal Lands Reuse Authority in the redevelopment of former closed Navy Base under BRAC program

Tradewell Inc., New York, NY
(Corporate Barter Company) *1/98 - 1/99*

Chief Operating Officer

- Managed profit & loss responsibilities for a team of thirty professionals
- Initiated and closed transactions with large corporations resulting in significant profit to the company

Atwood Richards Inc., New York, NY
(Corporate Barter Company) *11/93 - 9/97*

Vice-President/Strategic Acquisitions Division *(9/96 - 9/97)*

- Generated and closed barter transactions with Fortune 500 companies
- Managed acquisition program for environmentally tainted real estate

Assistant General Counsel *(11/93 - 9/96)*

- Supervised day-to-day operations of legal department - responsive to 28 offices and more than 200 employees worldwide
- Structured and negotiated all domestic and international transactions and contracts
- Drafted and/or approved corporate agreements (joint ventures; partnerships; acquisitions; sales; leases; licenses; employment; representative; consulting; assignment; confidentiality; and non-circumvention)

O'Sullivan Graev & Karabell, New York, NY
(Law Firm) *12/90 - 11/93*

Associate

- Represented venture capital funds, investment firms and corporations in private equity, merger, acquisition, real estate and securities transactions
- Structured, negotiated and drafted agreements and legal documents
- Advised clients of transactional tax implications
- Legal research and analysis of corporate, commercial, bankruptcy and federal and state taxation issues

EDUCATION

New York University School Of Law LL.M., 1991
New York, NY

Focus on Taxation

The American University Washington College Of Law J.D., 1990
Washington, DC

The American University B.S., 1987
Washington, DC

Dean's List: Junior and Senior years

ADMITTED TO PRACTICE LAW

New York
Connecticut

ARCADIS

Infrastructure, buildings, environment, communications

ARCADIS G&M, Inc.
630 Plaza Drive
Suite 200
Highlands Ranch
Colorado 80129
Tel 720 344 3500
Fax 720 344 3535
www.arcadis-us.com

ENVIRONMENTAL

Mr. Charles H. Chisolm
Executive Director
Mississippi Department of Environmental Quality
PO Box 20305
Jackson, MS 39181-0150

Subject:
Offer to Develop VCC Property, Vicksburg, Mississippi

Date:
30 May 2003

Contact:
Eric Williams

Phone:
720.344.3838

Email:
ewilliams@arcadis-us.com

Our ref:
52PROSPE.CT00

Dear Mr. Chisolm:

This letter is intended to convey ARCADIS' interest in assisting the State of Mississippi Department of Environmental Quality (MDEQ) and the City of Vicksburg in the cleanup and redevelopment of the subject site. We have included information on our Redevelopment Program, some of its key components, as well as the process our program follows. ARCADIS' Redevelopment Program is unique in the industry, in large part, because it offers the following considerations:

1. A commitment to cleanup the contaminated portions of the property (the former VCC plant) to levels that enable the best and fullest use as desired by the City.

2. Determination of future land use developed jointly with the State of Mississippi, the City of Vicksburg and other stakeholders.

3. A guarantee that the future land use will not adversely affect natural resources or public health.

4. A future land use that will provide for employment of local citizens, will bring visitors to the area, and increase the quality of life for area residents.

5. A viable redevelopment program with the necessary financial and technical support needed to implement the redevelopment plan.

6. Positive public relations for the Governor's office, the Mississippi Department of Environmental Quality, and the City of Vicksburg.

ARCADIS' Redevelopment Program

ARCADIS' Redevelopment Program is founded on a premise different than any other in the industry: Our clients should have the opportunity to share in the end use value of the development of their property. Our goal is to turn an underperforming asset, or worse, a liability, into newfound value. We are not interested in purchasing environmentally distressed property at discount prices to profit from the subsequent sale and / or development of contaminated property at the expense of the original owner. ARCADIS' Redevelopment Program is in the business of helping our clients profit from development of their properties.

We believe that owners of environmentally impacted properties should be able to assess their options and to make use of the full redevelopment potential of the property. Armed with this knowledge and cost certainty for the remediation and redevelopment activities needed at the site enables improved asset management. Properties that were once considered "upside down" (the environmental liability is greater than the current value of the real estate), can now be considered assets waiting to be developed.

In addition to the clear profit advantage, ARCADIS' Redevelopment Program also includes the following advantages:

1. An end use developed in conjunction with the property owner and other stakeholders. ARCADIS has no stake in the selected end use, as opposed to developers that would develop to their specific use.

2. A Guaranteed Remediation Program (GRiP) that provides cost certainty for the remediation / resolution of all environmental issues that may plague a site. This guarantee is routinely indemnified by AAA rated financial / insurance institutions and provides our clients with the most protective manner to deal with environmental issues during a real estate transaction.

3. Financing programs that cover the cost of cleanup and development under one, comprehensive redevelopment deal. Our clients rarely have to finance any portion of the cleanup and redevelopment.

4. The ability for our clients to choose whether they wish to participate in the redevelopment process or simply participate in the future developed value of

the property. Interested owners can stay in the redevelopment process all the way through completion.

ARCADIS' Redevelopment Process

ARCADIS' redevelopment process includes the following five primary phases:

1st Phase: Discovery

The objective of the Discovery Phase is to determine if a site is appropriate for ARCADIS' Redevelopment Program and if our program fits the needs of the property owner. During this phase, ARCADIS engages the property owner in initial discussions concerning their objectives and the redevelopment of the property. ARCADIS typically performs a cursory review of site information, including environmental data. At the completion of the Discovery Phase, ARCADIS issues a proposal letter to start through the redevelopment process.

2nd Phase: Feasibility Analysis-

The objective of the Feasibility Analysis is to confirm that the redevelopment of the property is likely to produce the value needed to make further pursuit of the redevelopment both practically and financially attractive. During this phase, six tasks are completed:

1. Best and highest use analysis
2. Conceptual land plan
3. Environmental data review / grip appraisal
4. Pro forma financial assessment
5. Initial partnership discussions that will ultimately lead to the formation of a special purpose entity
6. Initial financing discussions that will ultimately lead to a financing plan for the project

3rd Phase: Deal Formation

During this phase a special purpose entity is formed, land is transferred into the entity, and financing commitments are finalized. Financial structuring is the cornerstone of ARCADIS' Redevelopment Program. Our finance program typically includes a combination of Federal grants and private financing vehicles specifically designed for financing redevelopment of environmentally impaired sites.

4th Phase: Cleanup and Development

Environmental issues at the site are remediated and the site is developed during this phase.

5th Phase: Closeout

After project completion, the special purpose entity is dissolved and the property is transferred to the final owning entity.

ARCADIS' Interest

ARCADIS would like to pursue the joint development of the property with the City of Vicksburg generally following the process defined herein. The next step is to implement the Feasibility Analysis (Phase 2 defined above). The Feasibility Analysis will take approximately 45 to 60 days and will result in a specific development plan and offer to the State of Mississippi and the City of Vicksburg.

ARCADIS' Redevelopment Program offers the State of Mississippi and the City of Vicksburg significant advantages over the other offers on the property of which we are aware. In return for these advantages, we ask that the State and / or City of Vicksburg fund the Feasibility Analysis Phase (approximately $45,000) and agree not to execute another agreement concerning the subject property until after the completion of the Feasibility Analysis and the specific redevelopment plan and offer that will immediately follow.

We are confident that our program will meet the needs of the State of Mississippi, the City of Vicksburg, and other important stakeholders, and we sincerely appreciate the consideration afforded us by the State of Mississippi and the City Vicksburg. Please do not hesitate to call Eric Williams at 720.344.3838 with any questions that you may have or to set up an appointment to discuss this opportunity in person.

Sincerely,

ARCADIS G&M, Inc.

Eric G. Williams
National Redevelopment Program Manager

Erhardt Werth
Executive Vice President

Copies:
Mr. Laurence Leyens, Mayor City of Vicksburg
Ms Gertrude Young, Alderwoman City of Vicksburg
Mr. Sidney Beauman, Alderman City of Vicksburg
Ms Nancy Thomas, City of Vicksburg
Mr. Trey Hess, MDEQ
Project File
Chrono

By combining comprehensive risk management with technical expertise, GRiP® allows property transfer and redevelopment to occur before environmental cleanup is complete while protecting against liability risk and cost overruns. This program provides contractual and insurance protection along with regulatory, performance, and schedule completion guarantees, opening the redevelopment market to real estate opportunities to which most investors, lenders, and developers were once adverse.

The GRiP® contract

Environmental remediation liability insurance is a tool recently developed to facilitate contaminated real estate transactions. The two basic types, used alone or in combination, are:

Remediation stop loss insurance protects against cost overruns that occur during implementation of a remediation action plan (RAP) or record of decision (ROD). Consequently, this type of insurance is usually not available early in the environmental investigation and remediation process. This insurance typically costs 5 to [illegible] percent of the coverage amount and requires a self-insured retention that is the responsibility of the insured. The self-insured retention is usually [illegible] to 25 percent above the remediation cost estimate for implementing the RAP.

While this insurance is useful, concerns about claims payment and limitations against early implementation create barriers to reduce cleanup costs and accelerated redevelopment. In contrast, guaranteed cleanup contracts with a modified form of insurance are applicable during investigation, provide a higher degree of liability protection, and deliver cost savings advantages.

ARCADIS began developing guaranteed cleanup contracts in 1995 and integrating modified terms with insurance in 1998. The result is a proven, comprehensive, fixed-price contract that transfers the cleanup cost and liability risks to both ARCADIS and the insurance carrier. The insurers, typically the property seller, buyer, and lender, obtain a fully transferable financial guarantee and third-party liability protection.

The GRiP® contract is relatively simple: for a fixed price, ARCADIS commits to perform any and all remediation necessary to achieve regulatory closure for the contamination, including known and unknown contamination. GRiP® contracts are often implemented during the due diligence period of the real estate transaction when the contamination investigation is only at the beginning stage.

With ARCADIS' guaranteed remediation contracts, more than five hundred million dollars of environmentally-contaminated real estate have been successfully transacted prior to or concurrent with environmental cleanup.

Upon execution of the contract, the guaranteed fixed price amount is deposited into an interest-earning escrow account from which progress payments are made to ARCADIS upon achieving specific performance milestones. The final payment occurs upon achieving regulatory closure. A provision of the escrow account makes it impossible for the contract to be canceled for lack of payment. Further, neither the contractor nor the buyer/developer is able to cancel the contract for convenience. Thus, both the buyer and lender are assured the guarantee will remain in full force until cleanup is complete and regulatory closure is achieved. This is critical for allowing the real estate transaction and redevelopment to proceed concurrently with remediation.

On larger remediation projects, such as major superfund projects, the guaranteed cleanup contract lends itself to the design of structured settlement programs that are specific to the requirements of a project settlement. For example, funding mechanisms can be structured to provide a guaranteed fixed rate of return, favorable income tax treatment, off balance sheet recognition and reduced environmental liability reserves.

Before GRiP® contracts, the primary obstacle to transacting and redeveloping contaminated property prior to cleanup was the buyers' difficulty in obtaining purchase and build-out financing.

GRiP® is a highly rated financial product suitable for securing financing for acquisition and redevelopment. The contract and insurance combination allows environmental cleanup costs and liabilities for both known and unknown contamination to be firmly quantified and transferred to ARCADIS and the insurance carrier. Buyers and lenders are thus secure in knowing the environmental cleanup and liability will not impact the property value and collateral for the loan.

GRiP® can be implemented during the contamination investigation process — well prior to development of an approved RAP or ROD. Thus, transactions and commencement of redevelopment of property typically occur in a matter of months, instead of years.

RODs often emphasize conventional technology at the expense of innovative and more cost-effective solutions. GRiP® contracts, implemented prior to the ROD, encourage a systems engineering approach that avoids building wasteful, over-designed systems. ARCADIS, responsible for all remediation costs necessary to achieve regulatory closure, bears both the risk and reward of innovative systems engineering.

GRiP® contracts are characteristically less expensive than insurance-only approaches due to the inherent incentive and accountability structure that rewards innovation and cost efficiency. Additionally, fixed price contracts eliminate change orders, invoice documentation, and accounts receivable tracking that results in typical project management cost savings of approximately 5 to 10 percent.

Each development plan presents a different set of cost savings opportunities. Common examples include installing engineered liners under parking lots instead of expensive caps; and consolidating or mining landfills in order to create more usable real estate so that the added property value partially offsets the cleanup costs.

By using newer and more cost-effective in situ soil and groundwater remediation techniques, redevelopment can be implemented concurrently with cleanup, offering additional savings without compromising safety or remediation quality. The redevelopment plan and schedule are incorporated in the guaranteed contract in order to achieve these remediation efficiencies and oblige cleanup to occur in concert with the redevelopment plan.

ARCADIS turns environmentally impaired properties into normal real estate transactions by providing the scientific and business expertise needed to efficiently remediate and control costs. Scientists quantify complex environmental information into usable business data. Transaction consultants provide expert financial and liability mitigation packages. Increase domestic and international real estate opportunities with ARCADIS, a leader in environmental issues management.

Bowmar Baptist Church
Jim Ditto
1946 Lincolnshire Blvd.
Ridgeland, MS 39157

May 01, 2003

Vicksburg Chemical Company
Yehuda
1946 Lincolnshire Blvd.
Ridgeland, MS 39157

Dear Seller:

The purpose of this letter is to set forth some of the basic terms and conditions of the proposed purchase by the undersigned (the "Buyer") of certain real estate owned by you (the "Seller"). The terms set forth in this Letter will not become binding until a more detailed "Purchase Agreement" is negotiated and signed by the parties, as contemplated below by the section of this Letter entitled "Non-Binding."

1. DESCRIPTION OF PROPERTY. The property proposed to be sold is located at 4280 Rifle Range Road, Vicksburg, MS and is legally described in the attached Exhibit "A".

The Real Estate is subject to public highways, covenants, restrictions and zoning, if any.

Restrictions: Cannot be developed.

2. PRICE. The proposed purchase price is $27,000.00, of which $27,000.00 would be deposited with Seller, or Sellers agent, upon acceptance of a binding Purchase Agreement. Buyer would pay the balance to Seller at closing.

3. POSSESSION. Possession would be given on June 01, 2003, or sooner by mutual agreement. Settlement would be made at the closing, immediately prior to possession.

4. INSPECTION. After the final acceptance of a binding Purchase Agreement, Buyer may have the Real Estate inspected by a person of Buyer's choice to determine if there are any structural, mechanical, plumbing or electrical deficiencies, structural pest damage or infestation, any unsafe conditions or other damage, including the presence of radon gas, any lead-based paint hazards, and inspections for other conditions that are customary to the locality and/or that are required by law.

5. STANDARD PROVISIONS. The Purchase Agreement will include the standard provisions

Initials:________

that are customary to the locality and/or that are required by law.

6. NON-BINDING. This Letter of Intent does not, and is not intended to, contractually bind the parties, and is only an expression of the basic conditions to be incorporated into a binding Purchasing Agreement. This Letter does not require either party to negotiate in good faith or to proceed to the completion of a binding Purchase Agreement. The parties shall not be contractually bound unless and until they enter into a formal, written Purchase Agreement, which must be in form and content satisfactory to each party and to each party's legal counsel, in their sole discretion. Neither party may rely on this Letter as creating any legal obligation of any kind.

If you would like to discuss a sale of the Real Estate with the undersigned on these general terms, please sign and return a copy of this Letter of Intent to the undersigned at your earliest convenience.

Sincerely,

BUYER:
Bowmar Baptist Church

____
BY: Jim Ditto

The above Letter reflects our mutual understanding and sets forth the basis for proceeding to negotiate a Purchase Agreement as outlined above.

SELLER:
Vicksburg Chemical Company

______________________________ DATE: ________________
BY: Yehuda

Initials:________

Final Checklist for Letter of Intent to Purchase Real Estate
Company: Vicksburg Chemical Company
May 01, 2003

Make It Legal

_____ The Intent to Purchase Real Estate should be signed by the buyer and submitted to the seller for the seller's consideration and signature. The Letter should be signed by all buyers and by all sellers. It is not necessary that the document be witnessed or notarized.

Copies

Give a signed copy of the letter to:

_____ Bowmar Baptist Church

_____ Vicksburg Chemical Company

When to Consult a Lawyer

* For assistance in preparing a Purchase Agreement, it is advisable to consult with a lawyer.

Attachments

_____ A copy of the legal description should be attached as an exhibit.

Other Information

* After all parties have signed the Letter of Intent, it is expected that they will continue negotiations to finalize the details of the proposed sale. Such final details should be included in a new document, a Purchase Agreement, which will be a binding contract, obligating the seller to sell and the buyer to buy, although it may be made subject to certain contingencies.

Reasons to Update

* The buyer or seller wish to revise certain terms in the letter before or after signing an existing version.

Initials:_________

Instructions for Sales Contract
Property Disposition Program

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0306 (exp. 6/30/2004)

Public reporting burden for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. HUD may not collect this information, and you are *not required to complete this form, unless it displays a currently valid OMB* control number.

This information is required in order to administer the Property Disposition Sales Program (24 CFR Part 291). The collection of information is required in order to provide a binding contract between the property purchaser and HUD. A real estate broker or one of its agents completes this form. If this information were not collected, HUD would not be able to administer the Property Disposition Sales Program properly to avoid waste, mismanagement, and abuse. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Privacy Act Notice – The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested on this form by virtue of Title 12, United States Code, Section 1701 et seq. The Housing and Community Development Act of 1987, U.S.C. 3543 authorized HUD to collect Employer ID and/or Social Security Numbers. These numbers are used to provide information to the IRS regarding payment of commissions or other fees. HUD may also disclose this information to Federal, State, and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not be otherwise disclosed or released outside of HUD, except as required and permitted by law. Failure to *provide the Employer ID Number or Social Security Number could affect your* participation in HUD's Property Disposition Program.

This **Sales Contract**, identified as form HUD-9548, must be prepared and transmitted in accordance with the following instructions. The form provides an original for fiscal and legal review, signed copy for the Purchaser, and unsigned information copies for the Purchaser, the selling Broker, and HUD's designated representative..

Remove this Instruction Sheet and type the HUD Case Number in the box in the upper right.

Item 1: Type Purchaser(s) name and complete property address.

Item 2: Enter name(s) and style in which title will be taken.

Item 3: Enter Bid Amount and amount of earnest money Purchaser has deposited.
Enter holder of earnest money deposit in accordance with Seller's instructions.

Item 4: Enter when appropriate, strictly in compliance with Seller's offering. If Seller has offered the property with insured financing available, and Purchaser is buying under such means, check the first block and the applicable type of insured financing, and complete the down payment and mortgage information. If the insured mortgage involves a repair escrow (and has been so offered by Seller), also check the appropriate block and insert the amount of the repair escrow.
Note: The amounts shown for "cash due at closing" and "balance by mortgage" do not include the FHA Mortgage Insurance Premium, prepaid expenses or closing costs Seller has agreed to fund into the mortgage.
Note: If Purchaser is paying cash or applying for conventional or other financing not involving FHA, check appropriate block.

Item 5: Enter amount of financing/closing costs Seller is expected to pay.
Note: If the amount stated in Item 5 exceeds actual and typical allowable financing and/or closing costs, such excess shall not be paid by Seller and may not be used by Purchaser to reduce amount(s) owing to Seller.

Item 6: Enter dollar amount Seller is expected to pay, including any selling bonus if offered by Seller. The commission will be paid by Seller upon completion of closing.

Item 7: Enter net amount due Seller (purchase price [Item 3], less Items 5 and 6). Contract will be awarded on the basis of the greatest acceptable net return to Seller.

Item 8: Enter appropriate occupancy information. If left blank, Purchaser will be considered as an investor. If purchaser qualifies for discount, enter percent. Discount will be reduced by amounts, if any, on Line Items 5 and 6. (Do not enter discounted price on contract.)

Item 9: Enter in accordance with HUD's instructions.

Item 10: Enter appropriate back-up offer information.

Item 11: Enter if an addendum is to be attached to and made a part of this contract.
Note: Addendum not previously approved by Seller may not be made a part of this Contract. Approved addendum must be signed by, and in the same style as, those signing as Purchaser(s).

Item 12: Purchaser(s) must initial in appropriate space.

Other:
a. Failure of the Purchaser to perform in accordance with this contract may cause the Seller to retain all or a portion of the earnest money deposit. Broker must be certain this is fully explained to and understood by the Purchaser(s).
b. Enter Selling Broker's Name and Address Identifier (NAID). If broker has not been issued a SAMS NAID, complete forms SAMS-1111, Payee Name and Address, and SAMS-1111-A, Selling Broker Certification, along with required documentation, and attach to this contract. Contact HUD's local designated representative.
c. The Broker is required to inform Purchaser of the Conditions of Sale on the reverse of the Sales Contract, and particularly of Purchaser's right and responsibility for satisfying itself as to the full condition of the property prior to submitting an offer to purchase and that Seller will provide no warranty or perform any repairs after acceptance of the Contract.

Signatures: Sign Original, leaving carbon inserts intact, making certain that the signature(s) appears on all copies.

Transmittal: Forward the Original with Copies 1 and 2 to HUD's designated representative. *Copies 3 and 4 are to be retained by Broker* and Purchaser as information copies. Upon acceptance, HUD's designated representative will return the signed Copy 1 to Broker for delivery to Purchaser(s). HUD's designated representative will retain Copy 2.

Sales Contract

Property Disposition Program

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

HUD Case No.

I (We), ______________________________

(Purchaser(s)) agree to purchase on the terms set forth herein, the following property, as more particularly described in the deed conveying the property to the Secretary of Housing and Urban Development:

____

(street number, street name, unit number, if applicable, city, county, State)

2. The Secretary of Housing and Urban Development (Seller) agrees to sell the property at the price and terms set forth herein, and to prepare a deed containing a covenant which warrants against the acts of the Seller and all claiming by, through or under him. Title will be taken in the following name(s) and style: ______________________________.

3. The agreed purchase price of the property is .... ➤ 3. $ ________

Purchaser has paid $ ________ as earnest money to be applied on the purchase price, and agrees to pay the balance of the purchase price, plus or minus prorations, at the time of closing, in cash to Seller. The earnest money deposit shall be held by ______________________________.

4. ☐ Purchaser is applying for FHA insured financing [☐ 203(b), ☐ 203(b) repair escrow, ☐ 203(k)] with a cash down payment of $ ________ due at closing and the balance secured by a mortgage in the amount of $ ________ for ________ months (does not include FHA Mortgage Insurance Premium, prepaid expenses or closing costs Seller has agreed to fund into mortgage.).

☐ Said mortgage involves a repair escrow amounting to $ ________.

☐ Purchaser is paying cash or applying for conventional or other financing not involving FHA.

5. Seller will pay reasonable and customary costs, but not more than actual costs, nor more than paid by a typical Seller in the area, of obtaining financing and/or closing (excluding broker's commission) in an amount not to exceed .... ➤ 5. $ ________

6a. Upon sales closing, Seller agrees to pay to the broker identified below a commission (including selling bonus, if offered by seller) of .... ➤ 6a. $ ________

6b. If broker identified below is not the broad listing broker, broad listing broker will receive a commission of: .... ➤ 6b. $ ________

7. The net amount due Seller is (Purchase price [Item 3] less Items 5 and 6) .... ➤ 7. $ ________

8. Purchaser is: ☐ owner-occupant (will occupy this property as primary residence) ☐ investor ☐ nonprofit organization ☐ public housing agency ☐ other government agency. Discount at closing: ________ %

Discount will reduced by amounts, if any, listed on Line Items 5 and 6.

9. Time is of the essence as to closing. The sale shall close not later than ________ days from Seller's acceptance of contract. Closing shall be held at the office of Seller's designated closing agent or ______________________________.

10. If Seller does not accept this offer, Seller ☐ may ☐ may not hold such offer as a back-up to accepted offer.

11. Lead based paint addendum ☐ is ☐ is not attached; Other addendum ☐ is ☐ is not attached hereto and made part of this contract.

12. **Should Purchaser refuse or otherwise fail to perform in accordance with this contract, including the time limitation, Seller may, at Seller's sole option, retain all or a portion of the deposit as liquidated damages. The Seller reserves the right to apply the earnest money, or any portion thereof, to any sums which may be owed by the Purchaser to the Seller for rent.** Purchaser(s) Initials: ________ Seller's Initials: ________

13. This contract is subject to the Conditions of Sale on the reverse hereof, which are incorporated herein and made part of this contract.

Certification of Purchaser: The undersigned certifies that in affixing his/her/its signature to this contract he/she/it understands: (1) all the contents thereof (including the Conditions of Sale) and is in agreement therewith without protest; (2) he/she/it is responsible for satisfying itself as to the full condition of the property; and (3) that Seller will not perform repairs after acceptance of this contract.

Purchaser(s): (type or print names & sign) | Purchaser(s) Address:

Purchaser(s) Social Security Number (SSN) or Employer Identification Number (EIN) (include hyphens) | Phone No: | Date Purchaser(s) Signed Contract:

Seller: Secretary of Housing and Urban Development | By: (type name & title, & sign) | Date Contract Accepted by HUD:

X

Certification of Broker: The undersigned certifies that: (1) neither he/she nor anyone authorized to act for him/her has declined to sell the property described herein to or to make it available for inspection or consideration by a prospective purchaser because of his/her race, color, religion, sex, familial status, national origin, or disability; (2) he/she has both provided and explained to the purchaser the notice regarding use of Seller's closing agent; (3) he/she has explained fully to the purchaser the entire terms of the contract, including Condition B on the reverse hereof; and (4) he/she is in compliance with Seller's earnest money policy as set forth on HUD forms SAMS-1111, Payee Name and Address, and SAMS-1111-A, Selling Broker Certification, which he/she has executed and filed with Seller.

Broker's Business Name & Address: (for IRS reporting) (include Zip Code)	Broker's EIN or SSN: (include hyphens)	SAMS NAID:
	Signature of Broker: X	Broker's Phone No:

Type or print the name and phone number of sales person:

This section for HUD use only. Broker notified of:	Authorizing Signature & Date:
☐ Acceptance ☐ Back-Up No. ________	
☐ Rejection ☐ Return Earnest Money Deposit	X

Conditions of Sale

A. All assessments, including improvement assessments which are available for payment without interest or penalty for advance payment, taxes, rent, and ground rent, if any, shall be prorated as of the closing date.

B. Seller makes no representations or warranties concerning the condition of the property, including but not limited to mechanical systems, dry basement, foundation, structural, or compliance with code, zoning or building requirements and will make no repairs to the property after execution of this contract. Purchaser understands that regardless of whether the property is being financed with an FHA-insured mortgage, Seller does not guarantee or warrant that the property is free of visible or hidden structural defects, termite damage, lead-based paint, or any other condition that may render the property uninhabitable or otherwise unusable. Purchaser acknowledges responsibility for taking such action as it believes necessary to satisfy itself that the property is in a condition acceptable to it, of laws, regulations and ordinances affecting the property, and agrees to accept the property in the condition existing on the date of this contract. It is important for Purchaser to have a home inspection performed on the property in order to identify any possible defects. If FHA insured financing is used, up to $200 of the cost to perform the inspection may be financed into the mortgage. Names of home inspection companies can be found in the yellow pages of your telephone directory under the heading "Home Inspection Services.

C. If financing is involved in this transaction (Item 4), Purchaser agrees that should he/she/it fail to provide documentation indicating that proper loan application was made in good faith within 10 calendar days of the date this contract was accepted by Seller, and/or thereafter otherwise to put forth good faith efforts to obtain necessary financing, Seller shall have the option of rescinding this contract and retaining all or a portion of Purchaser's earnest money deposit.

D. Seller may rescind this contract and return all or a portion of Purchaser's earnest money deposit under the following conditions:

1. Seller has not acquired the property.
2. Seller is unable or unwilling to remove valid objections to the title prior to closing.
3. Seller determines that purchaser is not an acceptable borrower.

Tender of the deposit shall release the Seller from any and all claims arising from this transaction.

E. Purchaser may not perform repairs nor take possession of the property until sale is closed. Risk of loss or damage is assumed by Seller until sale is closed, unless Purchaser takes possession of the property prior thereto, in which case State law shall apply. (1) If sale involves FHA insured financing and after damage the property no longer meets the intent of Minimum Property Standards (MPS), Seller may, at its option, perform repairs or cancel the contract and return Purchaser's full earnest money deposit. If, after damage, the property still meets the intent of MPS, Purchaser has the option of accepting the property as-is, with a purchase price adjustment at Seller's sole discretion, or cancelling the contract and receiving refund of full earnest money deposit. (2) If sale does not involve FHA insured financing, Seller will not repair damage but may, at Seller's sole discretion, reduce the sale price. Purchaser has option to cancel the contract and receive refund of full earnest money deposit. Tender of the earnest money shall release Seller from any claims arising from this transaction.

F. If this property is being offered with FHA insured mortgage financing available, Seller's acceptance of this contract constitutes a commitment to insure, conditioned upon Purchaser being determined by Seller or Direct Endorsement Underwriter to be an acceptable borrower and further conditioned upon Seller's authority to insure the mortgage at the time the sale is closed.

G. Purchaser understands that Seller's listing price is Seller's estimate of current fair market value.

H. No member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

I. Purchaser and Seller agree that this contract shall be binding upon their respective heirs, executors, administrators, successors or assigns but is assignable only by written consent of the Seller.

J. If this property was constructed prior to 1978, Seller has inspected for defective paint surfaces (defined as cracking, scaling, chipping, peeling or loose paint on all interior and exterior surfaces). Seller's inspection found no defective paint surfaces, or if defective paint surfaces were found, Seller has treated or will treat such defective surfaces in a manner prescribed by Seller prior to closing. **Purchaser understands and agrees that the Seller's inspection and/or treatment is not intended to, nor does it guarantee or warrant that all lead-based paint and all potential lead-based paint hazards have been eliminated from this property.** Purchaser acknowledges that he/she/it has received a copy of a pamphlet which discusses lead-based paint hazards and has signed, on or before the date of this contract, the Lead-Based Paint Addendum to Sales Contact - Property Built Before 1978. Purchaser understands that the Lead-Based Paint Addendum must be signed by all Purchasers and forwarded to Seller ***with*** this contract. Contracts which are not in conformance with these requirements will not be accepted by Seller.

K. The effective date of this contract is the date it is accepted (signed) by the Seller.

L. If the amount stated in Item 5 exceeds actual and typical financing and/or closing costs, such excess shall not be paid by Seller and may not be used by Purchaser to reduce amount(s) due Seller.

M. Seller's policies and requirements with regard to earnest money (including forfeiture thereof), extensions of time in which to close the sale, back-up offers, and allowable financing and/or closing costs are detailed in instructions issued to selling brokers.

N. Seller makes no representations or guarantees that the property will, in the future, be eligible for FHA insured mortgage financing, regardless of its condition or the repairs which may be made.

O. Warning: Falsifying information on this or any other form of the Department of Housing and Urban Development is felony. It is punishable by a fine not to exceed $250,000 and/or a prison sentence of not more than two years. (18 U.S.C. 1010, 3559; 3571)

P. This contract contains the final and entire agreement between Purchaser and Seller and they shall not be bound by any terms, conditions, statements, or representations, oral or written, not contained in this contract.

THE NATIONAL CENTER FOR SUSTAINABLE DEVELOPMENT

Mitchell F. Stanley
President & Trustee

Memorandum for Charles Chisolm
Executive Director – Mississippi DEQ

From: Mitchell F. Stanley MFS

Subject: Vicksburg Chemical Plant

Date: April 17, 2003

I am writing on behalf of a group composed of the Brownfields Stewardship Fund (BSF) and Marstel Day (formerly BAHR Environmental LLC) with reference to the contaminated site of the former Vicksburg Chemical Plant in Vicksburg, Mississippi. The Brownfields Stewardship Fund is a highly specialized operating nonprofit whose mission is to manage the transfer and restoration of contaminated real property and is a supporting organization of the National Center for Sustainable Development. BSF accomplishes this through acquiring title from current owners, whether municipalities or private corporations, then executing a plan to remediate the site to an acceptable state-approved health and human safety standard pursuant to a remedy appropriate for the planned reuse, and acceptable to the donor. This approach is faster, better and cheaper than the responsible party or regulatory body attempting to accomplish the same goal inside a corporate or governmental environment.

Marstel Day is a well established management consulting firm highly skilled in environmental transfer issues with the Department of Defense and other federal agencies. Marstel Day facilitates DOD goals to move obsolete and contaminated real property (former military manufacturing installations) off the books and into a structure that will assure proper and effective cleanup, through a more nimble and cost effective decision making process.

Background

Currently, we understand, your office and the Department of Environmental Quality are examining options to resolve the contaminated property (approximately 40 acres) that comprises the industrial operations portion of the former Vicksburg Chemical plant. We understand that approximately 500 valuable "clean" acres lie contiguous. The best outcome for both will require an appropriate remedy for the former chemical plant to achieve the highest and best value to the State of the adjacent "clean" property.

We further believe that balancing the many interests associated with the overall site could be beneficial in dollars and time to the state and could best be handled by an intermediary acting at the direction of the State, City of Vicksburg and local stakeholders, particularly adjoining property holders.

The Brownfields Stewardship Fund is organized to manage the situation with the chemical plant. The Brownfields Stewardship Fund is a 501 c 3 nonprofit corporation that creates solutions and

1620 "L" Street NW, Suite 1210, Washington, DC 20036 ▪ 202-463-3516 Voice ▪ 202-955-6070 Facsimile ▪ mfstanley@aol.com

serves as an intermediary in solving the complex problems created by former industrial activity which now must be addressed at a time there is little or no recourse to the "responsible party" and few budgeted resources at the state or local level to finance the problems.

Vicksburg Chemical is a good example. The State already has spent money to contain the immediate public health and safety threat. Heavy industrial activity is really not the best and highest use of this site today (given the expressed interest of the Jacobs Entertainment Group to create a tourist destination on the 500 acres); however, the jobs and industry could be important to the City of Vicksburg from an economic development standpoint.

Also, the neighbors probably have specific ideas of how they see the site being reused or not reused. Therefore, arbitrating the divergent needs of: 1) the local economic development authority, 2) Mississippi DEQ to remediate the site with few resources, and 3) stakeholder preferences for the neighborhood, while creating a solution that will generate the most income to the State through taxes and increased employment, is going to be a real challenge.

We believe the solution to the majority of problems is creating a master redevelopment plan that envisions the remedy to the human health and safety issues as the cornerstone for creating a secure platform from which other "best and highest uses" can be supported. Developing a plan with an agreed outcome that all can review and that will satisfy most of their concerns is what is needed at Vicksburg Chemical. No logical prospective developer of the 500 acres will want new heavy industrial activity next door.

Importantly, the redevelopment plan could envision moving the physical plant to another location to restore as much as possible the economic benefits of manufacturing while establishing a permanent remedy to the human health and safety issues at the former site. Additionally, the redevelopment plan for the 40 acre industrial site should include amenities which could serve as inducements for economic growth or desirable municipal improvements and quality of life issues.

Our approach envisions working closely with Mississippi DEQ, Warren County, and the City of Vicksburg to make Vicksburg Chemical a test case for a broader program that would be applicable to other sites around the State with similar issues. The long-term positive solution that accepts the input of all stakeholders but fashions a plan that is supportive of economic development, jobs, protection of human health and safety, and environmental stewardship is a process.

The process has to be managed. The outcomes must to be sustainable and serve as a positive reflection on the Mississippi DEQ. The State has a vested interest to create value for taxpayers after the project is redeveloped.

Thank you for the opportunity to make you aware of our interest and our approach and we look forward to having an opportunity to discuss the matter further with you at your convenience. Further information on the principals and mission of the group is available at your request or from our website at www.ncsd-bsf.org.

STATE OF MISSISSIPPI
DAVID RONALD MUSGROVE, GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHARLES H. CHISOLM, EXECUTIVE DIRECTOR

MEMORANDUM

To: Vicksburg Chemical Company Prospective Purchasers

From: Charles Chisolm CHC
Executive Director

Date: March 7, 2003

Re: Response To Purchase Proposals

MDEQ was pleased to receive six proposals in response to our January 2003 Request For Proposals concerning the purchase of Vicksburg Chemical Company's Vicksburg, Mississippi property. This property remains in the ownership of Vicksburg Chemical, but the United States Bankruptcy Court for the Southern District of New York, as part of allowing Vicksburg Chemical to "abandon" the site in bankruptcy, ordered that Vicksburg Chemical will sell the property to a purchaser, and upon such terms, as directed by MDEQ. The proceeds from the sale of the property then will be used for the remediation of the Vicksburg Chemical site.

The site is contaminated from decades of use as a pesticide, herbicide, and fertilizer production facility. Much of this use occurred prior to the advent of today's federal and state environmental laws. Both soil and groundwater contamination exist. Current information available to EPA and MDEQ does not indicate that any contamination has moved off of the Vicksburg Chemical property, but further study is underway. The manufacturing facilities at the site range in condition from seriously and dangerously dilapidated to relatively new and unused.

The real property owned by Vicksburg Chemical consists of the North and South Plant sites, totaling approximately forty acres, and other property that was not involved in the chemical production processes, totaling approximately 500 acres. A portion of this 500 acres fronts the Mississippi River south of Interstate 20.

Of the six proposals received, two companies (Pacific Chlorine, Inc. and Harcros Chemicals, Inc.) generally propose purchasing the entire 540 ± acres for a nominal amount, conducting chemical production operations at the facility, and accepting liability for either a predetermined amount (Pacific Chlorine) or all (Harcros) of the necessary remediation.

POST OFFICE BOX 20305 • JACKSON, MISSISSIPPI 39289-1305 • TEL: (601) 961-5000 • FAX: (601) 961-5794 • www.deq.state.ms.us

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

Charles H. Chisolm
Executive Director

FAX TRANSMISSION SHEET

TO: Jerry Banks, Trey Hess

FAX NO. 961-5300 DATE: 3-7-03

No. of Pages: 4 (Including Cover Sheet)

FROM: Charles Chisolm

Phone: 601-961-5000 Fax No.: 601-961-5794

MESSAGE

Jacobs Entertainment, Inc. proposes purchasing the 500 ± non-industrial acres for a substantial sum in order to construct a casino operation on the river front property and to construct two golf courses on the remaining property. Jacobs would have no involvement in or liability for remediation of the contaminated acreage other than the purchase price of the 500 ± acres. Jacobs would begin the purchase process by paying MDEQ an amount in earnest to be held during a due diligence period.

Ryan Ma, Ph.D., proposed the purchase of a portion of the production facility that includes equipment used to process slow-release fertilizer. American Brownfields Assurance proposed the creation of a trust to take title to the property and to perform other remediation and cost-recovery services for MDEQ. Bowmar Baptist Church proposed the purchase of approximately eighteen acres as a buffer zone for church property.

MDEQ has reviewed these proposals with an eye toward four main broad criteria, as follows:

<u>Cleanup Commitment</u>: To what extent, and how, does the party suggest that it will fund, direct, or aid with the remediation of the facility? What agreements with or legal actions by MDEQ or EPA would be required?

<u>Environmental Impact of Proposed Land Use</u>: What emissions or discharges of pollutants would be expected from proposed operations or construction? What impact to natural resources and public health can be expected?

<u>Non-Environmental Impact to Community and State</u>: How would the proposal impact the quality of life in the community? What revenues or employment opportunities likely would be produced?

<u>Feasibility of the Project</u>: Does the proponent likely have the financial and technical capability to conduct the project as proposed, and what is the general likelihood of success of any remediation proposal and of any business proposal?

No decision on the relative weight of these criterion is reflected by the list, and the criterion are not listed in any order reflecting relative importance. The criteria primarily reflect a minimum list of questions and concerns that MDEQ considered while evaluating the proposals and the options available to the State.

MDEQ has determined to move forward with the Jacobs Entertainment proposal (subject to further negotiation with that entity). As a practical matter this means that over the next several weeks MDEQ will contract with Jacobs Entertainment to begin the due diligence period required by Jacobs Entertainment prior to executing a transfer of the 500 ± non-industrial acres from

Vicksburg Chemical to Jacobs Entertainment. It is likely that the concerns of Bowmar Baptist Church also can be met in combination with this proposal.

Currently MDEQ plans that if the property transfer to Jacobs Entertainment is completed, MDEQ will move forward (either through an new Request For Proposals or otherwise) with (i) finding a buyer for the industrial site and/or plant equipment whose use of the 40 ± industrial acres and equipment will be compatible with the recreational use of the non-industrial acres purchased by Jacobs Entertainment and (ii) in cooperation with EPA and the new real property owner (if any), remediating the site. The remediation process itself will be molded to a great extent by the eventual use that is determined for the industrial acres. MDEQ also intends to maintain flexibility with its proposed actions concerning the industrial acreage since decisions regarding that property will continue to hinge on many variables.

MDEQ appreciates your interest in this matter and your patience as the agency has worked through this very unusual situation.

Mississippi Department of Environmental Quality
Meeting Attendees List

Date 2-27-03

Company or Site VICKSBURG CHEMICAL / CITY OF VICKSBURG

Location SOUTHPORT

Participant	Company Organization	Email Address	Phone Number
Nancy Thomas	City of Vicksburg		631-2983
[illegible]	"		631-3770
Laurence Legens	"		631-3719
Sid Beauman	"		6~~34~~-4507
Chuck Barlow	MDEQ Legal		601-961-5076
Trey Hess	" " Brownfields		601-961-5654
Jerry Banks	" " Haz Waste		601-961-5221
Phil Bass	" " Head, OPC		601-961-5100
Charles Chisolm	" " Exec Director		601-961-5000
Sam Mabry	" " Asst Exec Dir.		601-961-5354

Conference Call - February 26, 2003

Trust for Vicksburg Site

1. **Introductions**

2. **Discussion of Vicksburg Site**
   a. Overview and Regulatory Status
   b. Re-use Possibilities and Probabilities
   c. Legal Questions
      i. Bankruptcy transfer authority?
      ii. Contribution and Indemnity Claims Assignment?
      iii. Regulatory Notices/Claims Due Diligence
      iv. Corrective Measures Study
      v. Remaining claims vs. estate
      vi. Consent Decree Work Plans

3. **Discussion of Trust Structure**
   a. Trust Elements and Roles
   b. Scope of Trust Activities
      i. Liability Neutral Entity to Take Title
      ii. Claims Resolution for Remediation Funding
      iii. Develop Integrated Remediation and Redevelopment Plan
      iv. Interim Landlord
      v. Obtain Regulatory Closure
      vi. Transfer Remediated Property
      vii. Maintain Environmental Controls
   c. Not For Profit Status
   d. Qualified Settlement Fund (IRC Section 468(b))
   e. Advantages and Disadvantages
   f. Use of Master Lease Agreements

4. **Critical Pathway**
   a. Go/No Go Decision
   b. Research Mississippi Law – Scope and Nature of Trust
   c. Draft and Execute Formation Documents and Provider Agreements
   d. Negotiate Transfer Agreements with Bankruptcy Estate/Trustee
   e. Close on Transfer
   f. Implementation Activities

Mississippi Department of Environmental Quality
Meeting Attendees List

Date 2-26-03

Company or Site VICKSBURG CHEMICAL / JACOBS

Location SOUTHPORT

Participant	Company Organization	Email Address	Phone Number
TREY HESS	MDEQ	—	601-961-5654
Phil Bass	MDEQ	—	601 961-5100
Dan McDaniel	[illegible]	MCDANIELD@PHELPS.COM	601-360-9367
[illegible]	[illegible]	3/5 / NUST 2.	561-575-4006
STEPHEN R. ROARK	Jacobs Ent. Inc.	sroark@bhwk.com	303-582-1117 x7249
DAVE GUNEYWALD	JAcobs Inv.	DLGNAUTICA@CS.com	216-861-4080
Bud Viator	Jacob		337-470-5040
LANDY TELLER	Teller Law Firm	lteller@tellerlaw.com	601-636-6565
JERRY BANKS	MDEQ	—	601-961-5221
Sam Mabry	MDEQ		601-961-5545
Charles Chisolm	MDEQ		601-961-5000
Chuck Barlow	MDEQ Legal	chuck_barlow@deq.state.ms.us	601-961-5076

Trey Hess

02/26/2003 10:38 AM

To: "Daniel Alper" <danalper@earthlink.net>@INETDEQ
Subject: Re: Hit List

Can we reschedule for TOMORROW at 4 PM Central? Lieutenant Governor has called 3 of the evaluation team in for a meeting at 2:30 today.

Jere "Trey" Hess, P.E., DEE
MS Brownfields Program Coordinator
MS Dept. of Environmental Quality
P.O. Box 10385
Jackson, MS 39289-0385
(601) 961-5654
(601) 961-5300 (FAX)
http://www.brownfields.ms

"Daniel Alper" <danalper@earthlink.net>

"Daniel Alper" <danalper@earthlink.net>

02/26/2003 08:55 AM

To: "Jere \"Trey\" Hess" <Trey_Hess@deq.state.ms.us>
cc:
Subject: Hit List

Conference Call 2_26_03.do

Mississippi Department of Environmental Quality
Meeting Attendees List

Date 2-25-03

Company or Site VICKSBURG CHEMICAL / PACIFIC CHLORINE

Location SOUTHPORT CENTER

Participant	Company Organization	Email Address	Phone Number
TREY HESS	MDEQ	Trey_Hess@deq.state.ms.us	601-961-5654
GERALD McDILL	FORMER VCC		601-638-9157
Phil Bass	MDEQ	Phil_Bass@deq.state.ms.us	601/961-5100
William G. Osborne	PCI	wosborne@jam.rr.com	601/969-7946
JOHN A. CRAWFORD	PCI	JohnCRAWFORD@ButlerSnow.Com	601-985-4534
Andy Lechuga	PCI	alechuga@att.net	713-702-4337
STEVE O'BRIEN	LCBU		225-921-3600
Kim Fletcher	PCI	SKF@PAcificchlorine.com	7135245647
JERRY BANKS	MDEQ	Jerry_Banks@deq.state.ms.us	601-961-5221
Sam Mabry	MDEQ	Sam_Mabry@deq.state.ms.us	601-961-5545
Charles Chisolm	MDEQ		601-961-5000
Chuck BARLOW	MDEQ	chuck_barlow@deq.state.ms.us	601-961-5076
SONNY	FORMER VCC EMPLOYEE		
SCOTT WILDERMAN	PCI		

Mississippi Department of Environmental Quality
Meeting Attendees List

Date 2-25-03

Company or Site VICKSBURG CHEMICAL / HARCROS

Location SOUTHPORT

Participant	Company Organization	Email Address	Phone Number
TREY HESS	MDEQ	—	601-961-5654
Phil Bass	MDEQ		601 961-5700
JOHN MILES	HARCROS CHEMICALS		601-638-0334
KEVIN MIRNER	HARCROS CHEMICALS		913-621-7734
Parthy Evans	Stinson Morrison for Harcros Chem		816-691-3127
Tim Barnes	IMC		601-831-1296
Jerry Banks	MDEQ		601-961-5221
Sam Mabry	MDEQ		601/961-5545
Charles Chisolm			601 961-5000
Chuck D. Barlow	MDEQ Legal		601-961-5076
TRUDY FISHER	BRUNINI		

PROPOSAL

For
Purchase of the Coating Facility of
Vicksburg Chemical Company

Ryan Ma

300 Feather Glen Drive
Ridgeland, MS 39157
Phone 601-856-2710
Fax 601-856-1591

February 13, 2003

I, Ryan Ma, intend to purchase the fertilizer coating facility of Vicksburg Chemical Company. The Facility includes coating drum, granulation drum, storage tanks, and related pipes. We will move it to a proper place in the Mississippi. We will use this facility to make controlled release fertilizers (CRF). I am a Ph. D. chemist and an inventor of holding 3 US patents in CRF. CRFs are the future of fertilizer industry, because they improve the fertilizer efficiency and dramatically reduce the water and soil pollutions of fertilizers. We will implement my inventions in the facility of VCC as the starting point to produce affordable CRFs and will benefit lives of Mississippian and the rest of the Americans.

We will move this facility in one month after we get the rights, and make controlled release fertilizers in three months.

This project will initially create 12 jobs for Mississippi, which are one engineer, one manager, two sales persons, 6 operators, one technician and one secretary. Total payroll will be about $480,000 annually.

We will invest in about 1.5 million dollars including cash and loans.

I will invest $50,000 cash and investor Frank Nichols will invest $100,000. The rest will come from loans.

I will initially produce 12,000 tons of CRF annually. We anticipate that there would be over $600,000 to the state and local taxes.

This facility will not pollute air or land. The facility can stay in Vicksburg or can be moved to other part of the State. We will provide the quality jobs and tax revenues for the local and the State.

We like to purchase the facility with cash at price of $50,000.

January 2003

Statement Summary

T.RowePrice.

Investor Number 118307621

If you have questions please call us at 1-800-225-5132 or visit our web site www.troweprice.com

Mutual Fund Portfolio Value: $113,989.28

1098575 02 AB AUTO 14 0 2750 39157-874600 - M1

Zhongxin MA
Yu Tang Jt Ten
300 Feather Glen Dr
Ridgeland MS 39157-8746

Expecting a tax refund? Take advantage of direct deposit to your T. Rowe Price mutual fund account. Our Associates are available to provide you with simple instructions to include on your tax return. Call us today at 1-800 225-5132 for more details.

Activity Summary

	This Month	*Year-to-Date**
Beginning Value	**$113,931.30**	**$113,931.30**
Additions	0.00	0.00
Deductions	0.00	0.00
Income	73.44	73.44
Market Fluctuation	-15.46	-15.46
Ending Value	**$113,989.28**	**$113,989.28**
Net Change	$57.98	$57.98

Asset Diversification

12.0%	**Stock Funds**	**$13,752.05**
5.4%	Domestic	6,198.34
6.6%	Internat'l/Global	7,553.71
88.0%	**Money Market**	**100,237.23**
88.0%	Taxable	100,237.23

Income Summary

	This Month	*Year-to-Date**
Taxable	$73.44	$73.44

*Year-to-date income may include closed accounts no longer shown on this statement

Portfolio Overview

Nonretirement	*12/31/02 Value*	*1/31/03 Value*	*Change in Value*	*% of Assets*
T. Rowe Price Mutual Funds				
New Asia	$7,382.03	$7,553.71	$171.68	7.0%
Prime Reserve	100,163.79	100,237.23	73.44	93.0
Total Nonretirement	**$107,545.82**	**$107,790.94**	**$245.12**	**100.0%**

0356851

1098575

American Brownfield Assurance Inc.

200 East End Avenue, Suite 2-I
New York, New York 10128
Email: Danalper@email.com

Proposal Concerning Vicksburg Chemical Company Facility and Surrounding Property

Submitted To

Mississippi Department of Environmental Quality ("MDEQ")

Section 1

Proposal

This Proposal is submitted by American Brownfield Assurance, Inc. ("ABA") to MDEQ to provide for a comprehensive solution and legal mechanism to take title to and manage the remediation and redevelopment of the property referred to in the RFP which is also known as the Vicksburg Chemical Company Facility and surrounding area (the "Site").

Section 2

Business Plan

Understanding that this is not a formal bidding process and due to the time constraints facing respondent in answering this RFP, respondent herein can only outline its approach in general terms as provided herein. Respondent would be please to provide any additional and available data to MDEQ should MDEQ so request.

Respondent's principals have significant experiences working in the redevelopment of complex contaminated properties. These are generally complex because remediation and redevelopment activities need to be coordinated and present enormous timing risks for traditional real estate developers. The Site is currently owned by the estate of Trans-Resources Inc. in bankruptcy and would be transferred to anyone designated by MDEQ.

a. ABA proposes that the MDEQ set up a special purpose trust to qualify under Section 468(b) of the Internal Revenue Code that could undertake the following activities:

    i. Take title to the Site;
    ii. Research, pursue and liquidate any and all insurance recovery claims associated with Comprehensive General Liability policies that may have been purchased by one or more owners of the Site;
    iii. Develop a redevelopment plan that would support the remediation objectives desired by MDEQ and all other stakeholders;
    iv. Identify developers who would ultimately take title to the Site or any portion thereof;
    v. Be responsible for any long-term maintenance of any environmental controls used as part of the property remediation.

b. Any upfront funding for this approach can be provided by ABA in return for a 40% of the insurance recovery proceeds.

c. This proposal remains subject to further investigation by ABA and MDEQ, recognizing the unique nature of the proposal and a written agreement between the parties.

PROPOSAL

For
Purchase of the Coating Facility of
Vicksburg Chemical Company

Ryan Ma

300 Feather Glen Drive
Ridgeland, MS 39157
Phone 601-856-2710
Fax 601-856-1591

February 13, 2003

I, Ryan Ma, intend to purchase the fertilizer coating facility of Vicksburg Chemical Company. The Facility includes coating drum, granulation drum, storage tanks, and related pipes. We will move it to a proper place in the Mississippi. We will use this facility to make controlled release fertilizers (CRF). I am a Ph. D. chemist and an inventor of holding 3 US patents in CRF. CRFs are the future of fertilizer industry, because they improve the fertilizer efficiency and dramatically reduce the water and soil pollutions of fertilizers. We will implement my inventions in the facility of VCC as the starting point to produce affordable CRFs and will benefit lives of Mississippian and the rest of the Americans.

We will move this facility in one month after we get the rights, and make controlled release fertilizers in three months.

This project will initially create 12 jobs for Mississippi, which are one engineer, one manager, two sales persons, 6 operators, one technician and one secretary. Total payroll will be about $480,000 annually.

We will invest in about 1.5 million dollars including cash and loans.

I will invest $50,000 cash and investor Frank Nichols will invest $100,000. The rest will come from loans.

I will initially produce 12,000 tons of CRF annually. We anticipate that there would be over $600,000 to the state and local taxes.

This facility will not pollute air or land. The facility can stay in Vicksburg or can be moved to other part of the State. We will provide the quality jobs and tax revenues for the local and the State.

We like to purchase the facility with cash at price of $50,000.

January 2003

Statement Summary

T.RowePrice.

Investor Number 118307621

- If you have questions please call us at 1-800-225-5132 or visit our web site www.troweprice.com

1098575 C2 AB AUTO T4 0 2750 39157-874600 - M1

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0356851

1098575

BOWMAR
BAPTIST CHURCH

1825 U.S. 61 SOUTH · VICKSBURG, MISS. 39180 · 601-636-2596

February 13, 2003

Mississippi Department of Environmental Quality
ATTN: Jere "Trey" Hess, P.E., DEE
P.O. Box 20305
Jackson, MS 39289-0385

SUBJECT: Request for Proposals, Purchase of Vicksburg Chemical Co. Property

Dear Mr. Hess:

Bowmar Baptist Church (BBC) has received a copy of an undated document from MDEQ requesting proposals for the purchase of the Vicksburg Chemical Company (VCC) facility and surrounding property.

BBC is interested in the acquisition of a small portion of the VCC property that immediately adjoins our property. By this letter we are transmitting our proposal. We trust it is in sufficient detail for your evaluation. However, if you require additional information concerning this proposal, please contact Jim Ditto, P.E., at (601) 634-5870 or the church office at (601) 636-2596.

Sincerely,

Stephen Gambrell
Chairman of Deacons

Enclosures;
- BBC Proposal
- 3 attachments
- MDEQ Request for Proposals

PROPOSAL INFORMATION

1. Name of prospective purchaser;

Bowmar Baptist Church
1825 Highway 61S
Vicksburg, MS 39180

Ph - (601) 636-2596
Fax – (601) 634-6876

Bro. Terry White – Pastor
Steven Gambrell – Chairman of Deacons and Corporate Chairman

(Bowmar Baptist is an incorporated institution)

2.a. A description of the property and/or equipment the potential purchaser wishes to obtain and the intended use(s) of the property and/or equipment.

Bowmar Baptist Church (BBC) owns and occupies approximately 60 acres of property bounded by Hatcher Bayou, Highway 61S, and the VCC. The common boundary between VCC and BBC extends from Hatcher Bayou in a southerly direction for approximately 1900 ft. BBC is in the process of developing a portion of its property near this boundary into an athletic complex including a softball field, combination football and soccer fields, and volleyball courts. A pavilion, restroom, and amphitheater have already been constructed. In order to maximize the space available, the fields have to be positioned close to our boundary with VCC. The VCC property we are interested in parallels our property. Attachment #1 provides a detailed sketch of the area of interest and Attachment #2 provides an overall view of both the BBC and VCC properties. A sketch of a portion of our existing and proposed athletic complex layout is shown in Attachment #3.

BBC proposes to purchase the area denoted as a buffer to our athletic area. We have no intention of developing this area and plan to leave most of it in its natural state, except for that portion between our boundary line and the nearby tree line. This strip of land, which varies from about 50 to 100 feet in width, will be kept clean and mowed for safety purposes. The only structure that we anticipate being placed on the property would be portions of a chain link fence. Any fencing would be limited to this cleared thin strip immediately adjacent to our property. We are also considering establishing nature trails through and around our existing property, and it is probable that such trails would be developed in this area. However, the property would essentially be left in its present, undeveloped condition.

2.b. A time line establishing beginning and completion of the business project (not including remedial activities)

BBC has owned the majority of our present site since 1997. Approximately 14 acres, denoted on Attachment #1 as 2nd Acquisition, was purchased in 1999 as a buffer and for possible future growth. Phase 1 of building construction began in the spring of 2000 and the church moved onto the property from its previous location on Bowmar Avenue in August 2001. We have begun to develop our athletic area and expect to begin sports activities this spring. We intend to develop our present property to the extent necessary to accommodate our needs and plan to remain at this location for the foreseeable future. We have no intention of developing the VCC property and will leave as much of the property as possible in its natural state for wildlife and environmental purposes. There are also three easements (gas transmission, power and city sewer main) on this property that would restrict any development.

2.c. Number of jobs, if any, created by the project and anticipated payroll

No jobs will be created as a result of our acquisition of the VCC property since we plan to leave it in an undeveloped state.

2.d. Total investment in project (not including remediation)

BBC has already invested approximately $6 million at this site and we anticipate significant additional development. Our long-range vision includes the addition of an auditorium and classroom space to our present 64,000 sq ft facility and to eventually construct a 1,200- to 1,500-seat sanctuary. Although we essentially have sufficient property for all planned structural developments, the portion of the VCC property that we are interested in will provide a natural buffer between our existing property and any possible future industrial development of the VCC property. The proposed acquisition of the portion of the VCC property noted above will help protect our investment. Almost all of the VCC property BBC is interested in lies in the flood plain. It is not considered to be significantly valuable from an economic standpoint since it is subject to flooding, has several utility easements crossing it and contains no merchantable timber. We want to acquire this strip of land to prevent others from altering or in any way changing the area immediately adjacent to our present property.

2.e Financial Statement or other evidence of financial capability to undertake the proposed project (including the proposed participation in the remediation)

BBC is only interested in a small portion of the VCC property. We will be prepared to pay for the property in full at the time of purchase, in the event a satisfactory agreement is reached. Concerning remediation, we have no desire or intention to become involved in any remediation activities on the VCC property. It is not our intent to purchase any property that may require remediation and we do not anticipate any required remediation within the portion of the property we are interested in purchasing due to its location in relation to the actual plant location.

2.f Anticipated Revenue, if any, to the State of Mississippi, Warren County and/or City of Vicksburg, both directly and indirectly

Since BBC is a non-profit organization, no direct revenue will be generated for the local governments. However, the development and improvements that BBC is currently implementing will have a positive effect on the local economy. Athletic facilities provide a significant asset to the local community, especially youth. BBC has a strong and growing youth program that is reaching young people in the community. Our plans for an athletic complex will help to strengthen this program. The additional property will allow us to improve the overall aesthetics of the area surrounding the ball fields and provide a safety zone.

2.g Potential impact on quality of life for citizens of Vicksburg and Warren County

The development of the athletic field portion of the BBC property will have a significant positive influence on the local community. This complex will provide a much- needed area for local youth to participate in Christian sponsored organized sports. The VCC property will allow us to enhance and protect our athletic complex.

BBC considers the acquisition of this property an opportunity for us to insure that at least a portion of the VCC property will remain it its natural state. It is the intention of BBC to leave as much of our property in its natural state as possible for the benefit of the environment and wildlife.

2.h A description of how the prospective purchaser would intend to plan, conduct, or otherwise participate in remediation activities on the contaminated portion of the property, including the prospective purchaser's level of financial commitment to the remediation

BBC is interested in a small potion of the entire VCC property that, to our knowledge, is not a part of the area considered to be significantly contaminated. BBC is not prepared to, nor do we desire to, enter into any commitment to assist in the remediation of the contaminated portion of the property.

2.i A conceptual description and cost estimate of remedial activities to be undertaken, directed, and/or funded on the contaminated portion of the property

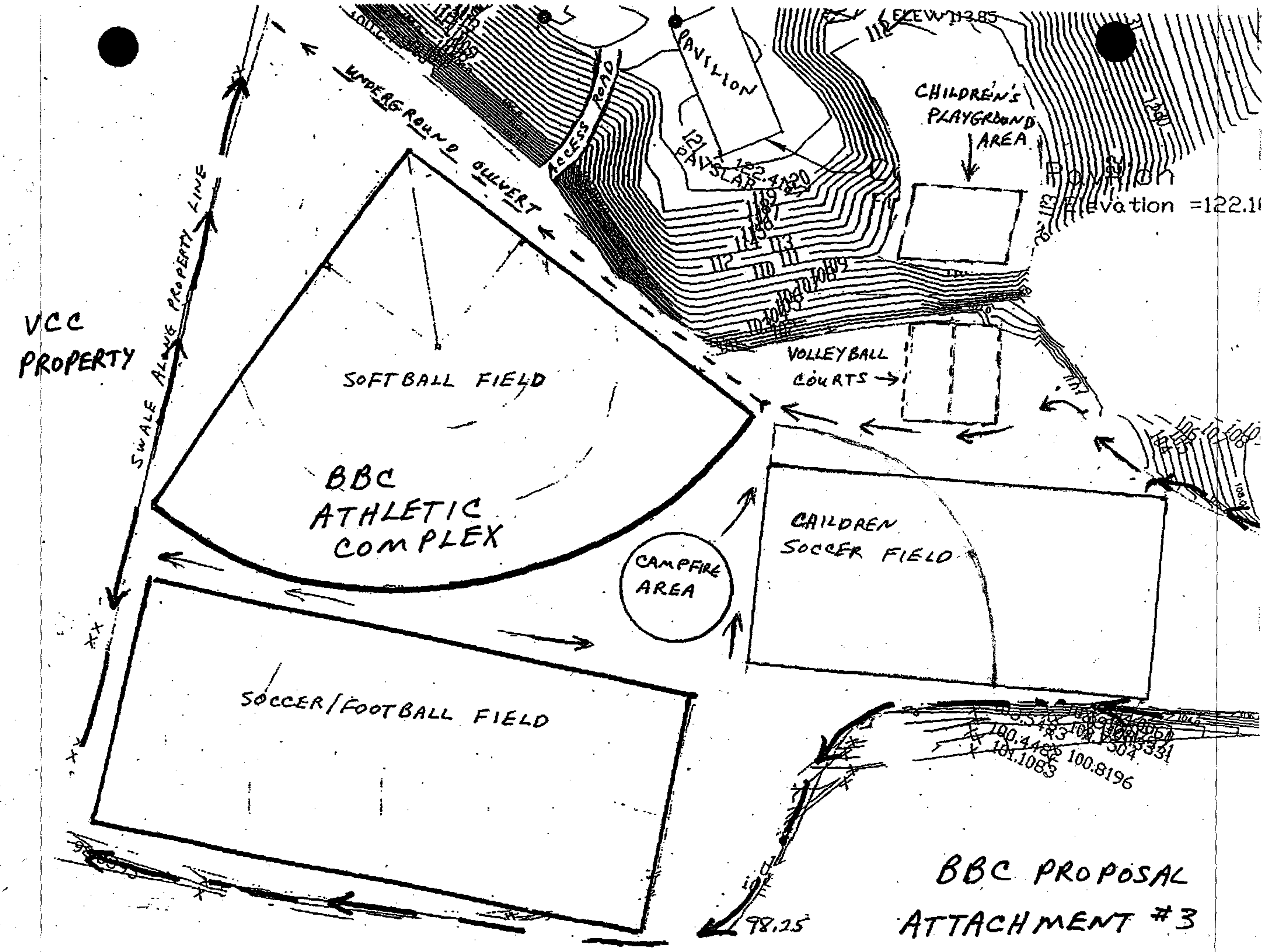
As we stated in 2.h above, BBC does not intend to become involved in any way with the remediation activities of the contaminated portion of the property.

2.j The proposed purchase price and terms

BBC has not performed a formal survey of the portion of the property that we propose to purchase. Using available plats and existing survey information, we estimate the denoted property shown in Attachment 1 to be approximately 18 acres. We consider this portion of the VCC property to be of minimal value since it is mostly within the flood plain and void of merchantable timber. BBC is willing to offer $200 per acre for this portion of the property.

3. Statement of prospective purchaser's environmental compliance history;

Bowmar, being a non-profit religious institution, is not involved in the type business dealings that would generate the type of compliance information alluded to in this portion of the proposal. However, we fully intend to abide by all federal, state, and local environmental laws and regulations while constructing, operating and maintaining our facilities.



BBC PROPOSAL

ATTACHMENT #3

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

REQUEST FOR PROPOSALS: PURCHASE OF VICKSBURG CHEMICAL COMPANY FACILITY AND SURROUNDING PROPERTY, VICKSBURG, MISSISSIPPI

Vicksburg Chemical Company ("VCC") owns a chemical manufacturing facility and approximately 500 acres of surrounding acreage in, Vicksburg, Warren County, Mississippi. The facility acreage includes both heavily contaminated acreage and acreage that exhibits no obvious signs of contamination and includes frontage on the Mississippi River. VCC has filed for reorganization under Chapter 11 of the United States Bankruptcy Code, and the bankruptcy is being administered by the United States Bankruptcy Court for the Southern District of New York. VCC has abandoned the facility, and the facility is currently not operating except for certain waste handling and maintenance operations being carried out by the Mississippi Department of Environmental Quality ("MDEQ") and the United States Environmental Protection Agency ("EPA").

Pursuant to order of the Bankruptcy Court, MDEQ has obtained authority to direct VCC to sell all real and personal property owned by the company in Warren County, Mississippi to a buyer or buyers chosen by MDEQ. The Company has abandoned the site physically, and the action of the federal bankruptcy court has removed this property from the bankruptcy estate, allowing it to be sold without bankruptcy court approval. Under the court's order, the proceeds from any sale of the Company's property will be used for the remediation of contamination on the Company's property.

MDEQ intends to direct VCC to sell the facility and the surrounding acreage to a buyer or buyers who will return the site and the surrounding acreage to a productive use that is in the best interest of the citizens of Mississippi, particularly including the citizens of Vicksburg and Warren County, and that results in remediation of the contaminated areas through a purchaser's direct remedial activity or through a purchaser's agreement to fund remediation activities in whole or in part.

MDEQ now seeks written proposals from prospective purchasers interested in acquiring all or part the Company's real or personal property. The Company owns approximately 550 acres in Vicksburg, Warren County, Mississippi along with buildings, equipment, and other personal property. In general, the real property is divided into a larger portion that has not been involved in the production of chemical products (approximately 500 acres) and a smaller portion (approximately 50 acres) that has been involved in the production of chemical products and which includes areas of significant contamination. Portions of the land are located along the Mississippi River, and other portions include acreage that runs along Rifle Range Road and Warrenton Road. The chemical plant site is divided into two areas known generally as the North Plant and the South Plant. The plant, prior to abandonment, manufactured and/or handled (among other things) nitric acid, potassium nitrate, nitrogen tetroxide, chlorine, sodium hypochlorite, and potassium carbonate. Environmental contamination is present at the site in various media, and no formal remediation plan has been approved by MDEQ or EPA. A consent order for investigation and remediation of contamination at the site exists between EPA and VCC, and a purchaser of the site covered by this order will be required to negotiate the continuing affect of that order with EPA and MDEQ.

Proposals should describe the prospective purchaser's intentions for use of the property and the extent of the prospective purchaser's ability and willingness to remediate the property or to direct funds toward the remediation of the property. The Proposal must include, at a minimum, the following:

1. The name of the prospective purchaser;

2. A statement entitled "Business Plan" of the proposer's project which shall include the following:

   a. A description of the property and/or equipment the potential purchaser wishes to obtain and the intended use(s) of the property and/or equipment
   b. A time line establishing beginning and completion of the business project (not including remediation activities)
   c. Number of jobs, if any, created by the project and anticipated payroll
   d. Total investment in project (not including remediation)
   e. Financial Statement or other evidence of financial capability to undertake the proposed project (including the proposed participation in the remediation)
   f. Anticipated Revenue, if any, to the State of Mississippi, Warren County and/or City of Vicksburg, both directly and indirectly.
   g. Potential impact on quality of life for citizens of Vicksburg and Warren County
   h. A description of how the prospective purchaser would intend to plan, conduct, or otherwise participate in remediation activities on the contaminated portion of the property, including the prospective purchaser's level of financial commitment to the remediation
   i. A conceptual description and cost estimate of remedial activities to be undertaken, directed, and/or funded on the contaminated portion of the property, and
   j. The proposed purchase price and terms;

3. A statement of the prospective purchaser's environmental compliance history for all operations in the United States, including the date, description, and status of any notice of violation or enforcement or compliance order issued to the prospective purchaser by any local, state, or federal environmental agency.

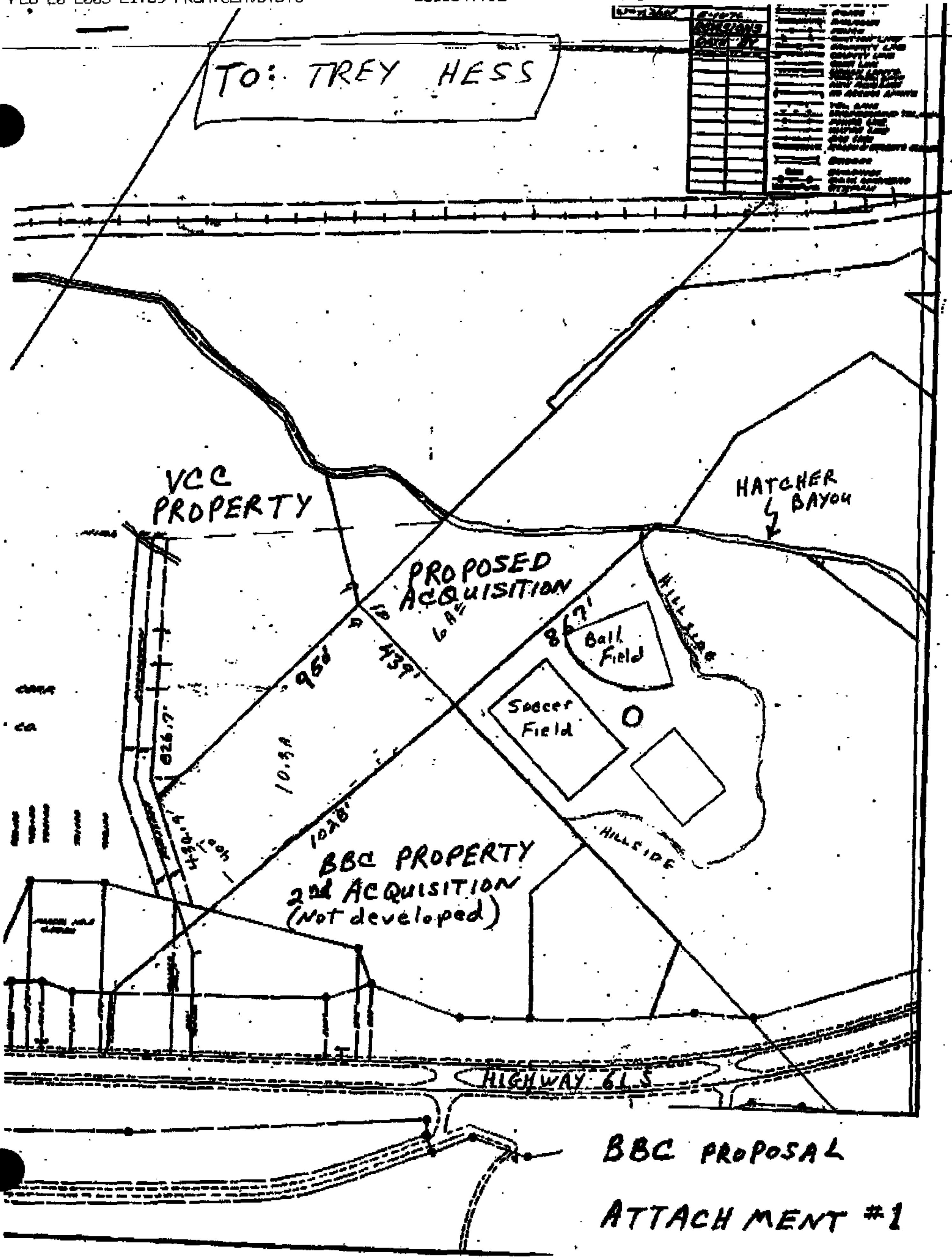
Proposals should not exceed fifteen (15) pages, excluding a transmittal letter or attachments such as financial statements. Five copies of any Proposal must be received on or before 3:00 p.m., February 13, 2003 and must be delivered to:

Mail Address:
Jere "Trey" Hess, P.E., DEE
MDEQ
P. O. Box 20305
Jackson, MS 39289-0385

Delivery Address:
Jere "Trey" Hess, P.E., DEE
MDEQ
101 Capitol Centre
101 West Capitol Street
Jackson, MS 39201

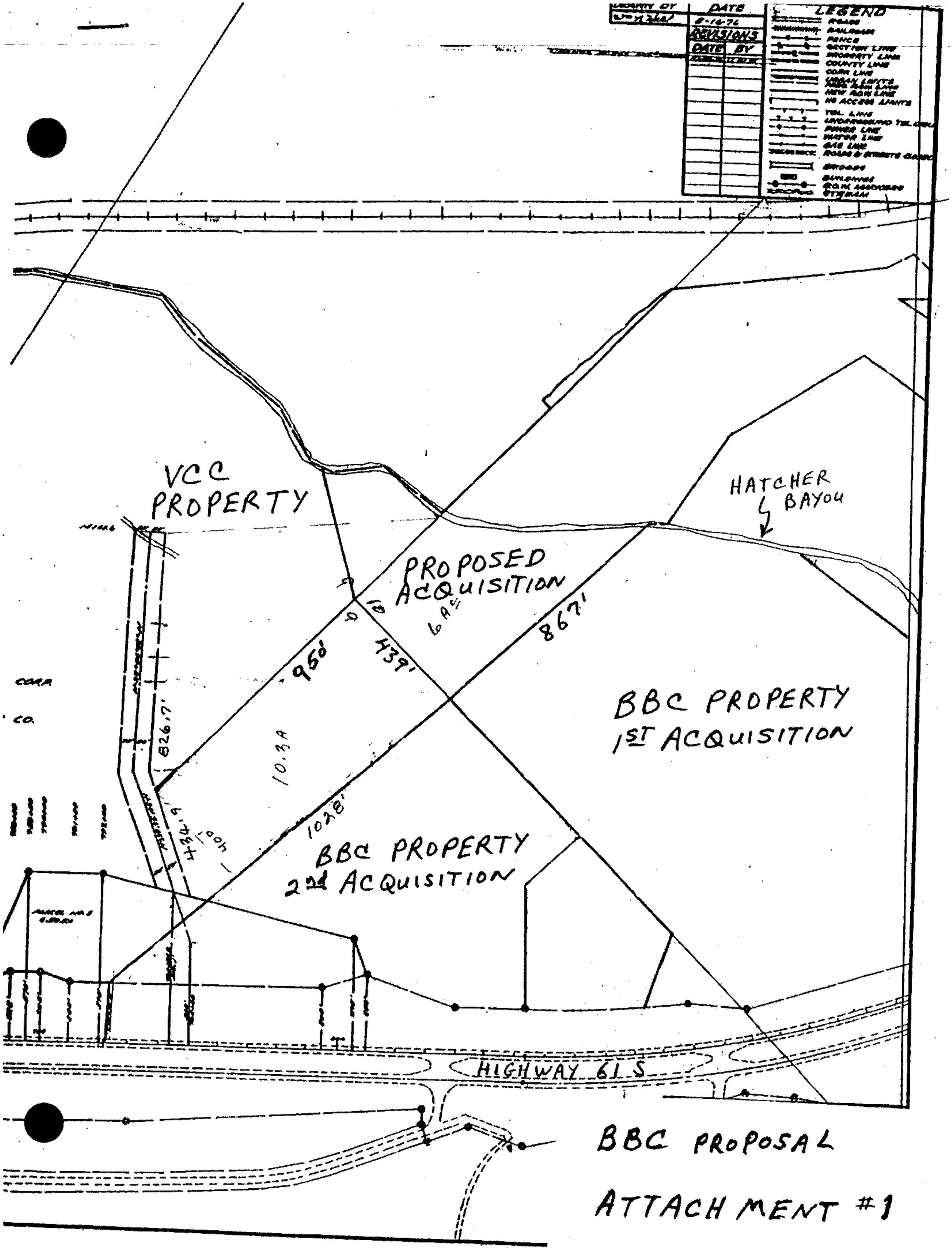
This is not a formal bidding processes, and MDEQ reserves the right to reject all proposals or to request additional information from some, all, or none of the prospective purchasers. MDEQ reserves the right to enter further negotiations with some, all, or none of the prospective purchasers. MDEQ reserves the right to reopen the proposal process and to accept further proposals from other parties. No warranty is made or intended as to the information concerning VCC or VCC's property stated in this request for proposals. Those who submit proposals are at risk to conduct appropriate investigation concerning the correctness of representations made by VCC or other parties and/or contained or reflected in this request or in the files of MDEQ.

TO: TREY HESS



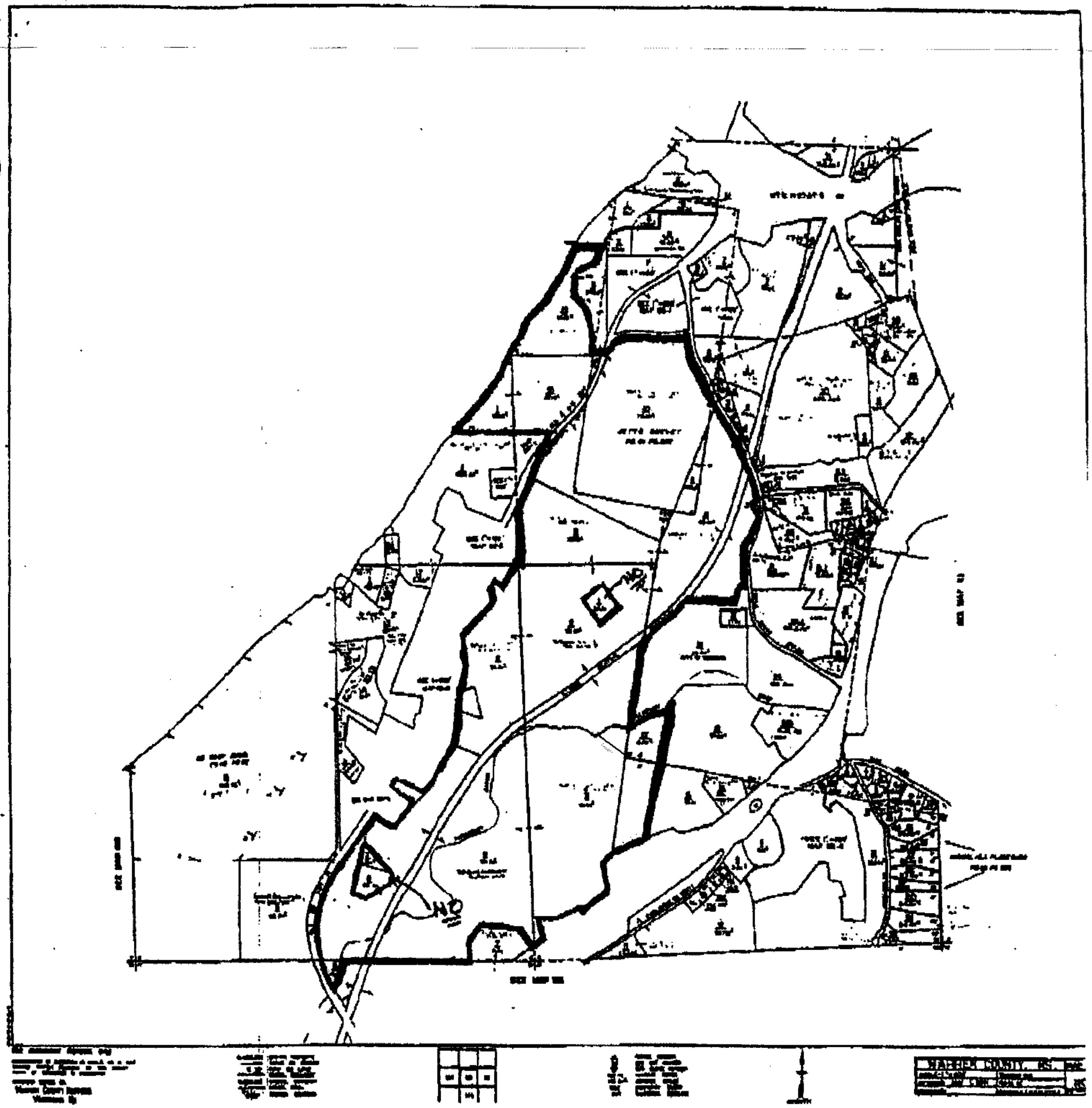
BBC PROPOSAL

ATTACHMENT #1



BBC PROPOSAL

ATTACHMENT #1



LEGEND

VCC PROPERTY

BBC PROPERTY

PROPOSED PURCHASE

BBC PROPOSAL

ATTACHMENT #2

Harcros Chemicals Inc
5200 Speaker Rd.
P.O. Box 2930, 66110-2930
Kansas City, KS 66106-1095
Tel 913/321-3131
Fax 913/621-7718

HARCROS

FEB 1

February 12, 2003

Jere "Trey" Hess, P.E., DEE
MDEQ
101 Capitol Centre
101 West Capitol Street
Jackson, Mississippi 39201

Dear Sir:

Please find enclosed five copies of our proposal re Vicksburg Chemical Company and the facility in Vicksburg, Mississippi. You may be aware that Harcros has invested substantial time and resources in evaluating the facility and planning for its future productive use as well as the necessary environmental cleanup. In the course of those activities we have worked with MDEQ and Region IV EPA. We are aware that Public Record Law in Mississippi is broad and have kept the enclosed proposal somewhat brief in order to protect our investment in the facility thus far. We feel that a better understanding of our proposal would be garnered from a meeting at which time we would be happy to expand upon our proposal. We, along with IMC Global, a former Vice President of Vicksburg Chemical Company, Mr. John Miles, and our environmental counsel would be happy to visit with you at your earliest convenience.

Yours truly,

Kevin G. Mirner
President and CEO

KGM/sl
Enclosures

FEB

Purchaser

The prospective purchaser is Harcros Chemicals, Inc. or a wholly owned subsidiary thereof. Harcros Chemicals Inc. ("Harcros") is a chemical distributor operating out of 28 locations in the United States, mainly in the South and Mid-West. In addition the company manufactures ethoxylated and propoxylated products at its Kansas City, KS location. Sales in 2002 were $232,800,000.

Business Plan

Background: This Business Plan for the Vicksburg facility was prepared based on the expertise of Harcros in successful distribution and manufacture of chemicals and knowledge of the basis for the bankruptcy of theVicksburg Chemical Company (VCC) . It is the understanding of Harcros that VCC filed for bankruptcy protection due to increased debt and high operating costs. Increased debt was attributable to the VCC guarantee of the substantial debts of its parent company Cedar Chemical (also in bankruptcy). In addition VCC devoted major capital expenditures to processes that proved to be uneconomic and were idled. This saddled VCC with increased debt and higher operating costs. It is the opinion of Harcros that in order to be viable on a long-term basis and especially in the face of substantial anticipated environmental remediation costs, VCC should have concentrated on its core competency and strived to operate more efficiently than in the past.

Harcros has worked with former VCC personnel to determined that a monthly production rate of 10,000 tons of potassium nitrate (KNO_3) is optimal for facility viability and longevity. This also gives a production rate of 3,400 tons of chlorine as a co-product. After determining optimum production criteria, Harcros focused on the marketing of the products. Harcros determined to seek a strong long-term company who knows the fertilizer business as a partner in the Vicksburg facility operation. IMC Global, a publicly traded company, was contacted and has agreed to be this partner. In addition to its strength in the fertilizer market IMC also is a large producer of the major raw material, potassium chloride (KCl), consumed by the plant in the manufacture of KNO_3.

Operation: Harcros plans to operate the Vicksburg facility to produce 120,000 tons per year of the fertilizer potassium nitrate (KNO_3). This will require the majority of the existing property and equipment. The KNO_3 will all be taken by the partner IMC Global under a long-term contract. The chlorine will be marketed by Harcros. Harcros and its predecessors have been major customers for that chlorine for the past 30 years. In particular, chlorine and water treatment chemicals are a key part of the Harcros business. It is the intent of Harcros to substantially increase the volume of chlorine repackaged into 2,000 lb and 150lb cylinders, which are the package sizes most commonly used in water treatment, and therby provide the environmental benefit of reducing the amount of chlorine transported in railcars.

There are no plans to manufacture N_2O_4.

It is clear that there is surplus land at VCC. It is our intent to negotiate with any other interested parties for the sale of certain portions of land that is not subject to environmental remediation requirements. The proceeds of such sales will be used to help fund the remediation of the property. The plan assumes that any sale proceeds would be less than future remediation costs. However, if proceeds from the sale of land were to provide more than the anticipated remediation costs, Harcros would dedicate the excess to other environmental improvements in consultation with the appropriate agencies.

Time line: Harcros estimates that facility start-up will take one to three months depending on the amount of repairs necessary to bring the plant operational. Following start-up production would be quickly raised to 10,000 tons per month and continue indefinitely.

Payroll: Seventy-five direct jobs will be created by the Harcros operation. The estimated annual payroll is $5 million.

Investment: Excluding remediation, total investment in the project up to start-up is estimated at $3.0 million. However, this will vary depending on the condition of the plant and the length of time needed for successfull start-up.

Financial Capability: Harcros Chemicals was acquired by the management on October 22, 2001. At that date there was equity of $5.4 million, borrowings of $27.3 million, of which $2.0 million was due to the seller. As of December 31, 2002 equity had grown to $9.3 million and borrowings had fallen to $20.3 million with all monies having been paid to the seller. Harcros has a $40,000,000 revolving credit facility agreement with General Electric Capital Corporation. Due to concerns about confidentiality HCI is not providing its financial statements as part of this proposal. Harcros will make make financial statements available to MDEQ for review on a confidential basis upon request.

Anticipated Revenue: Overall we are led to believe that there is a multiplier of seven times the payroll cost as the regional economic impact of the newly created jobs. In addition $10.0 million spent on local area purchasing. Direct taxes include local property taxes, which are estimated at $250,000 as well as state income taxes, which are estimated at $150,000.

Potential Impact: There are two major areas of impact on quality of life for the project: environmental and economic. Harcros is committed to providing both experience and funds to properly remediate the property to the benefit of the facility and the surrounding community (see response in next sections). In addition Harcros has a corporate commitment and record demonstrating responsible care with respect to worker, environmental and community safety.

The Mississippi Employment Security Commission's recent data show the average wage for Warren County to be approximately $24,000 per year. Employees at the Harcros facility will, on the average, earn over twice this amount. The estimated $5,000,000 annual payroll from these manufacturing jobs will generate an effect of $35,000,000 in the area economy. Other recent data show that the estimated 75 Harcros jobs will drop the unemployment rate for Warren County from 6.2% to 5.9%. Stable manufacturing jobs in particular allow local governments and schools to better plan and fund their activities to the benefit of all. Charitable, civic, and community groups and activities are also direct beneficiaries of this stable group of workers with the concomitant improvement of the entire local area. In addition to the value of wages paid, the estimated $10,000,000 per year in local purchases will support and invigorate the local business infrastructure.

Environmental Remediation

Participation in remediation: As MDEQ and the Environmental Protection Agency Region IV are aware; Harcros has invested significant time and resources in evaluating the property and identifying necessary environmental remediation. MDEQ is aware of the substance of those discussions and the commitment of Harcros to site remediation and productive use. As the company's response to question 3 depicts, Harcros is responsive and responsible regarding environmental matters and obligations. Harcros anticipates executing an Administrative Order on Consent for Removal Action and Corrective Action with EPA (and upon request with MDEQ as well) under which Harcros will remediate the contaminated portion of the property. The property remediation will begin with implementation of the Corrective Measures Study ("CMS") prepared in June 2002, assuming EPA approves the June 2002 CMS. Harcros anticipates implementing the CMS, preparing the Corrective Measures Study Report, and performing the selected Corrective Action. Harcros will commit the moneys necessary to fund the CMS, the CMS Report and the corrective action. Harcros further anticipates requesting monies from the RCRA Closure Trust Fund established for corrective action at the Site.

Remedial Activities: The June 2002 CMS, if approved by EPA, will be implemented. The CMS addresses three corrective action areas. The Corrective Measures Study Report and selected Corrective Action following from the CMS will be developed and implemented. The cost for implementation of the corrective action is estimated to be between $5 million and $8 million.

The cost of operating the facility wastewater treatment plant is not included in the cost of remediation. This is an on-going operating expense associated with the manufacture of potassium nitrate.

Purchase Price and Terms

Given the initial investment and the cost of remediation Harcros proposes to purchase the property, facility, equipment and any remaining inventory for $1.

Our proposal is subject to further due diligence. The most significant factor is the state of the facility and how much will have to be spent to re-start the facility.

The final purchase contract for the property will require the approval of the HCI Board of Directors.

Environmental Compliance History

As part of the 2001 asset purchase of the company, Harcros assumed a portion of the liabilities of the predecessor (Harcros Chemicals Inc. now trading as Elementis Chemicals Inc.) for environmental remediation necessitated by activities and events that occurred prior to the asset purchase date. The orders identified below reflect the fulfillment of that assumption of liability by Harcros. Some of the orders have been in place for ten years. Harcros is in compliance with all aspects of the orders.

Kansas City, KS – Administrative Order on Consent, EPA Docket No. VII-90-H-0028

Kansas City, KS - Closed Surface Impoundment – Kansas Dept. of Health and Environment Consent Agreement 96-E-134

St. Paul, MN – Minnesota Pollution Control Agency – Voluntary Investigation and Cleanup Unit

Davenport, IA – Administrative Order on Consent, EPA Docket No. RCRA-07-2001-0006.

Tampa, FL – Florida Consent Order 88-0718. Site is currently registered with The Dry-cleaning Solvent Cleanup Program.

Proof of Publication

The State of Mississippi

Hinds County

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
REQUEST FOR PROPOSALS: PURCHASE OF VICKSBURG CHEMICAL COMPANY FACILITY AND SURROUNDING PROPERTY, VICKSBURG, MISSISSIPPI

Vicksburg Chemical Company ("VCC") owns a chemical manufacturing facility and approximately 500 acres of surrounding acreage in, Vicksburg, Warren County, Mississippi. The facility acreage includes both heavily contaminated acreage and acreage that exhibits no obvious signs of contamination and includes frontage on the Mississippi River. VCC has filed for reorganization under Chapter 11 of the United States Bankruptcy Code, and the bankruptcy is being administered by the United States Bankruptcy Court for the Southern District of New York. VCC has abandoned the facility, and the facility is currently not operating except for certain waste handling and maintenance operations being carried out by the Mississippi Department of Environmental Quality ("MDEQ") and the United States Environmental Protection Agency ("EPA").

Pursuant to order of the Bankruptcy Court, MDEQ has obtained authority to direct VCC to sell all real and personal property owned by the company in Warren County, Mississippi to a buyer or buyers chosen by MDEQ. The Company has abandoned the site physically, and the action of the federal bankruptcy court has removed this property from the bankruptcy estate, allowing it to be sold without bankruptcy court approval. Under the court's order, the proceeds from any sale of the Company's property will be used for the remediation of contamination on the Company's property.

MDEQ intends to direct VCC to sell the facility and the surrounding acreage to a buyer or buyers who will return the site and the surrounding acreage to a productive use that is in the best interest of the citizens of Mississippi, particularly including the citizens of Vicksburg and Warren County, and that results in remediation of the contaminated areas through a purchaser's direct remedial activity or through a purchaser's agreement to fund remediation activities in whole or in part.

MDEQ now seeks written proposals from prospective purchasers interested in acquiring all or part the Company's real or personal property. The Company owns approximately 550 acres in Vicksburg, Warren County, Mississippi along with buildings, equipment, and other personal property. In general, the real property is divided into a larger portion that has not been involved in the production of chemical products (approximately 500 acres) and a smaller portion (approximately 50 acres) that has been involved in the production of chemical products and which includes areas of significant contamination. Portions of the land are located along the Mississippi River, and other portions include acreage that runs along Rifle Range Road and Warrenton Road. The chemical plant site is divided into two areas known generally as the North Plant and the South Plant. The plant, prior to abandonment, manufactured and/or handled (among other things) nitric acid, potassium nitrate, nitrogen tetroxide, chlorine, sodium hypochlorite, and potassium carbonate. Environmental contamination is present at the site in various media, and no formal remediation plan has been approved by MDEQ or EPA. A consent order for investigation and remediation of contamination at the site exists between EPA and VCC, and a purchaser of the site covered by this order will be required to negotiate the continuing affect of that order with EPA and MDEQ.

Proposals should describe the prospective purchaser's intentions for use of the property and the extent of the prospective purchaser's ability and willingness to remediate the property or to direct funds toward the remediation of the property. The Proposal must include, at a minimum, the following:

1. The name of the prospective purchaser;
2. A statement entitled "Business Plan" of the proposer's project which shall include the following:
   a. A description of the property and/or equipment the potential purchaser wishes to obtain and the intended use(s) of the property and/or equipment
   b. A time line establishing beginning and completion of the business project (not including remediation activities)
   c. Number of jobs, if any, created by the project and anticipated payroll
   d. Total investment in project (not including remediation)
   e. Financial Statement or other evidence of financial capability to undertake the proposed project (including the proposed participation in the remediation)
   f. Anticipated Revenue, if any, to the State of Mississippi, Warren County and/or City of Vicksburg, both directly and indirectly.
   g. Potential impact on quality of life for citizens of Vicksburg and Warren County
   h. A description of how the prospective purchaser would intend to plan, conduct, or otherwise participate in remediation activities on the contaminated portion of the property, including the prospective purchaser's level of financial commitment to the remediation
   i. A conceptual description and cost estimate of remedial activities to be undertaken, directed, and/or funded on the contaminated portion of the property, and
   j. The proposed purchase price and terms;
3. A statement of the prospective purchaser's environmental compliance history for all operations in the United States, including the date, description, and status of any notice of violation or enforcement or compliance order issued to the prospective purchaser by any local, state, or federal environmental agency.

Proposals should not exceed fifteen (15) pages, excluding a transmittal letter or attachments such as financial statements. Five copies of any Proposal must be received on or before 3:00 p.m., February 13, 2003 and must be delivered to:

Mail Address:	Delivery Address:
Jere "Trey" Hess, P.E., DEE MDEQ	Jere "Trey" Hess, P.E., DEE MDEQ
P. O. Box 20305	101 Capitol Centre
Jackson, MS 39289-0385	101 West Capitol Street
	Jackson, MS 39201

This is not a formal bidding processes, and MDEQ reserves the right to reject all proposals or to request additional information from some, all, or none of the prospective purchasers. MDEQ reserves the right to enter further negotiations with some, all, or none of the prospective purchasers. MDEQ reserves the right to reopen the proposal process and to accept further proposals from other parties. No warranty is made or intended as to the information concerning VCC or VCC's property stated in this request for proposals. Those who submit proposals are at risk to conduct appropriate investigation concerning the correctness of representations made by VCC or other parties and/or contained or reflected in this request or in the files of MDEQ.

January 16, 2002, January 17, 2003, January 20, 2003

PERSONALLY appeared before me, the undersigned notary public in and for Hinds County, Mississippi,

Philip Sawin

an authorized clerk of THE CLARION-LEDGER, a daily newspaper as defined and prescribed in Sections 13-3-31 and 13-3-32, of the Mississippi Code of 1972, as amended, who, being duly sworn, states that the notice, a true copy of which is hereto attached, appeared in the issues of said newspaper as follows:

Dates of Publication:

Lines:	273	Thursday, January 16, 2003
Words:	1,067	Friday, January 17, 2003
Issues:	3	Monday, January 20, 2003
Total:	$360.55	

Signed

Authorized Clerk
of The Clarion-Ledger

Notary Public

SWORN to and subscribed before me on 1/20/2003
Notary Public State of Mississippi At Large.
My Commission Expires: March 31, 2006
Bonded thru Notary Public Underwriters

SHIRLEY S. MIZE
NOTARY
PUBLIC
SEAL

MY COMMISSION EXPIRES
March 31, 2006

loaded, leather, CD, $18,995.714-4900 Spirit Auto

CADILLAC Deville '94, loaded, showroom, perfect. $6,500. 601-941-4205 DLR

CADILLAC Deville '99, white/white, total luxury, all pwr, fully loaded, must see, $15,495. Call Mike @ Patty Peck Honda 957-3400

CADILLAC Deville '93, white, great condition, 143K miles, $3250.obo (601)668-9303

CADILLAC Deville '95 champagne, black top, mint, Perfect, 317-4277 dlr

CADILLAC Seville SLS '01, all pwr. Ask for Robert Federick 601-636-7777, 800-669-3620 George Carr.

Camaro Convertible '01, auto, all pwr. Ask for Jolene Federick 601-636-7777, 800-669-3620, (H) 318-574-4860 George Carr.

Check GETAUTO.COM color Invent.Tucker A/S Inc. 677 S State JAC 352-7999

Chev Beretta '96 $1900 Mazda $1800 Grand Prix '92 $1900 Chev$1500. 400-3716

CHEV Cavalier '01, 2dr, only 23kml, $5,995 Paul Moak Honda 355-8100

CHEV Monte Carlo '96, super clean, $5,995. Fowler Pearl Brandon 360-0200

If you need to sell your car or truck FAST, use the Big Easy Classifieds. A 3 line ad, running for 10 days, only costs you $29.00 – and you will reach the largest group of car shoppers in Mississippi. Your classified ad will also go online at clarionledger.com. The Big Easy Classified section is the one of the highest read classified sections in the country – and that means your ad will reach more prospects and get you fast results!!! Place your automotive ad in the Big Easy Classifieds by calling 961-7100.

CHEVY Monte Carlo FS, '00. Black, loaded. Fin available. Sharp! Call (601)845-3383

CHRYSLER 300M '99, loaded, $11,995. 714-4900 Spirit Auto

Chrysler Cirrus '98 Ltd sunroof, lthr, loaded, $6,995, #D3C166A, well maintained. Ask for "Miz" @863-1191 Blackwell Pre-Owned

CHRYSLER Cirrus '00, silver, 4dr, lthr, amrl, Cd,, 32k mi. $9500obo. 601-656-3706

CHRYSLER Concord '99, loaded, X cond. 47 k $8750. 956-2372, 212-1820

CHRYSLER P.T. Cruiser '01, silver/grey, 20k ml, pwr equipt, cd, cruz, $14,995. Call Mike @ Patty Peck Honda 957-3400

CHRYSLER PT Cruiser '01, chrm whls, auto, st#12013 $15,995 944-1333 GRAY DANIELS MAZDA

CHRYSLER Sebring '95, lthr, sunrf, CD, $3750 573-1116 Internet

CHRYSLER Sebring '97 LXI, auto, pw. Very clean. Runs great. $5995. 601-371-1714

CHRYSLER Sebring LX '98, auto, loaded, 2dr, 75k, like new $4,950. 601-941-4205 DLR

CORVETTE Coupe, '01. Red, 9500 miles. $37,500 firm. (601)849-5850 or online cyclesupply.net/ad.html

DODGE Avenger '98- Black, auto, 2dr, 48k mi., exc. cond., $6000. 601-956-4679

DODGE Avenger '98, auto, snrf, loaded, 75k, $5,500. 601-941-4205 DLR

DODGE Intrepid '98, 88K miles, black, $4000. Call Doug (601)454-1052

DODGE Intrepid '00- 4dr, blue, V6, 70k ml., warranty, $8,000obo. 601-607-7212

DODGE Intrepid RT '00- Loaded, like new, red, Sudan 4dr, 56k miles, all pwr, 6cyl, $10,800. 825-1777

DODGE Neon '00, silver, clean as a pin, $5,995. Ask for Jack or J.D. 953-8548 or 982-2222 Blackwell Pre-Owned

DODGE Neon ES '00, 56k miles, exc. cond. $9950 obo. 601-854-8559 or 573-1378

DODGE Stratus '00, auto, st#1279A $7,995 944-1333 GRAY DANIELS MAZDA

DODGE Stratus '98, only 63kml, pwr windows, $5495. Ask for "Miz" @863-1191 Blackwell Pre-Owned

DODGE Stratus '99, white 4dr, auto, 64K, great cond., $5500. Call (601)919-2899

FORD Aspire, '95. $1100 OBO Call (601)896-8138 between 4-9pm

FORD Contour '96, manual, good condition, new tires, 95K, $2500 obo. 982-9296

982-2222 Blackwell Pre-Owned

FORD Taurus SE '00, burgundy/tan, V6, auto, very nice car, $7,900. Riverchase 540-4400

FORD Taurus SE '98, tan, cloth int, 65K mi, $6500. (601)506-9682 or 859-1880

FORD Taurus SE '01, gold, tan int., 19k mi, exc. cond. $10,500 obo. 662-290-6887

FORD Taurus SES '01, 32K mi., Pwr, CD, keyless, fac. warr. $9900. (601)842-7865

LOOK! FORD Taurus SES '02, like new, CD, 18K, fact warr $11,800. 601-291-8879

FORD Taurus, '96. Good running condition. $3,000 (601)924-7833 after 5pm

FORD Tempo '94, white, 4 door, 67,000 miles, $1700. (601)849-4139, 382-0449.

FORD Thunderbird LX '96, V6 auto loaded $3650. 758-3503 or 520-9532

GEO Prizm '91, $950. Ask for Nick or J.D. 982-2222 Blackwell Pre-Owned

Good Credit, Bad Credit, No Credit. If you need a car call Robert Federick 601-636-7777, 800-669-3620, (H) 318-574-4860 George Carr.

HONDA Accord LX '02, Certified, $16,495 Paul Moak Honda 355-8100

HONDA Accord '00 LX, V6, Coupe, white, leather, auto, 30K. $15,895 obo. Call 592-8637w or 898-2044 aft 6pm.

HONDA Accord '01, V6, ex sunroof, $17,995. Fowler Pearl Brandon 360-0200

HONDA Accord '00 Coupe, 2 dr, EX, V6, 85k. $15,000 601-856-5947/259-4885

Honda Accord EX '96 sunrf, all pwr. Robert Federick 601-636-7777, 800-669-3620, (hm) 318-574-4860 George Carr.

HONDA Accord '95, good condition, 113K mi, $5000 obo. Call Jacobs 977-7765

HONDA Accord '92, 4dr, auto,very clean, $2950. Internet 573-1116

HONDA Accord Coupe '02, 8500 mi, $22,800. Unexpected change. 316-8724.

HONDA Accord ES '99, auto, lthr, moon roof, priced to sell $10,964 Ridgeland Auto World 899-8500

HONDA Accord EX '92, 5-spd, snrf, spoiler, hi mil find car, $3300. (601)842-2705

HONDA Accord EX '94, 4dr, auto, air, am/fm cass., snrf, nice $4300. Call 992-0401

HONDA Accord EX '99, 4dr, roof, white, CD, extra nice, $10,900. 506-0733 dlr

HONDA Accord EX '01, Spoiler, Lcl Trd $15,995 Paul Moak Honda 355-8100

GRAY DANIELS MAZDA

Infiniti I-30 '98,towing like new, 59k miles loaded, roof, lthr, $11,975. BAP 824-0400

INFINITI I30 '98, roof, wheels, lthr, super nice, $11,500. 506-0733 Dlr

JAGUAR SJ6 '93, By Owner, blk/Tan int. Perfect! $7200 cash. 939-2483/317-2002

JAGUAR XJ6L '97, $19,900, local, 1 owner, chmpgn J. Auto Group 668-8886

JAGUAR XJ8L '98, blk, 48k, 1 lady owner, every option. Immaculate, $26,000. Call 601-428-0661w or 601-426-9954h

JAGUAR XJS '94, Convertible, only 48k mi, Carnival with Cashmere $16,995 Holman Dealership 987-9090

HOLMAN

JAGUAR XK8 '97, conv, perfect cond., low mi, priced to sell 573-1116 Internet

JAGUAR XK8 '99 Convertible, 23kml, British racing green with cashmere $39,995 Holman Dealership 987-9090

HOLMAN

JAUGAR XK8 '99 conv., 32K mi., one owner, like new, (601)209-2985 or 992-6583

KIA Sephia '00, auto, air, 32K miles. Great condition. $3495 firm. 956-0050, dlr.

LEXUS ES 300 '98, white, roof, Cd, lthr, like new, 60K, $16,500. 506-0733 Dlr

LEXUS ES300 '97- Well maintained, immaculate condition, leather, 76k miles, $13,980obo. 601-209-1814D, 992-5557N

LEXUS ES300, '98, 91K Hwy mi., loaded, n/tires, full service rec., below NADA. $14,000 601-898-8922

LEXUS '98 LS 400, $23,900, chmpgn/tan, lthr, changer, J. Auto Group 668-8886

LEXUS LS400 '95, $15,900, wht/tan, changer, lthr J. Auto Group 668-8886

LEXUS LS400 '99, 46K, Mint, MSRP new $58,637, records, fact warr. $30,800 956-2372 h, 212-1820 c.

moon roof, 6 discs CD changer, 10k miles, $46,000. Call 662-245-1166

MERCEDES ML320 '00, 1 lady owner, only 25kml, lthr, sunrf, like new $29,995 Holman Dealership 987-9090

HOLMAN

MERCEDES S500 '99, loaded, sunroof silver $35,995. 714-4900. Spirit Auto Sales

MERCEDES, 1983. 300-TD. 4dr, auto, good condition. 28mpg $3995 601-857-2808

MERCURY Couger XR7, '96. V6, low miles, exc condition. Stylish & dependable! $6800 (601)857-2373, 942-4339

MERCURY Gr Marquis '99, 41K, x cond, immaculate. $9,700. 956-2372 212-1820

MERCURY Grand Marquis '94 LS, new mtr, 36k mi. 3 year wrnty on mtr. New Michelen tires, new brakes. (601)955-8524 or 859-9284

MERCURY Grand Marquis '99- Light Metallic Blue, 60k, exc. cond $10,300,373-0078

MERCURY Grand Marquis '87, 4 dr, lthr, fully loaded, 829-1030, 259-5095

MERCURY Marqui LS '99, 56K leather, like new 1 owner, $10,800,352-7999 Tucker

MERCURY Marquis '99, executive car, hdl pkg. $8500. 372-9643

MERCURY Sable '02- 4dr, 30k miles, loaded, factory warranty, $11.5k. 992-4370

MIATA M Edition '97, British racing green, tan top, lthr int., am/fm case/Cd player, 5spd, 80k mi, never been wreck, $6500. 366-8128

MITSU Diamante '94, slvr, immaculate, $5995. Fowler Pearl Brandon 360-0200

MITSUBISHI Diamante LS '99, lthr, CD, roof, $10,900 (601)982-9982 or 942-3314

MITSUBISHI Diamonte '95, 98K, champagne, good cond. $5300 (601)981-9479

MITSUBISHI Eclipse, '95, Blue, 5sp, 137K miles. Asking $3,850. Call (601)373-2342 after 5pm

MITSUBISHI Eclipse, '93, 5 spd, 137k mi., need eng wk, good cond, $1500. 936-2152

MITSUBISHI Eclipse GS '99, 5 spd, sunroof, CD, loaded, black, 63K, $7900. 371-2677

MITSUBISHI Galant '92, 4-dr, auto., a/c, 79K, $2775. (601)497-4943 or 856-1603

OLDS Intrigue '98, 4dr, V6, won't last long $7,995. Fowler Pearl Brandon 360-0200

OLDS Intrigue, '00. V6, auto, AC, loaded, like new, 60K miles. $6900 (601)372-0958

OLDSA Aurora '98- 72k miles, white/tan leather, fully loaded. $10,900. 824-5100

PLYMOUTH Breeze '99, auto, tilt/cruise, pw, new tires. 1 owner. $5200. 601-267-8435

PONTIAC Bonneville '93 SSE, white, loaded, 146k. $3655 497-4943/ 856-1603

PONTIAC Bonneville SE, '97. Loaded. 82K miles, $5800. 939-3130, 936-1341

PONTIAC Firebird WS6 '97, 6 spd, LT1, clean, 38K, $13,500. (601)825-3098.

PONTIAC Firebird '91. At, A/c, ps, pb, white w/new blk int $5000obo. 855-2689

PONTIAC Firebird '91, 8 cyl, T-tops, $2000 obo. 601-372-0805 leave msg.

PONTIAC Grand Am '97, 4dr, auto, V6, wht, $2,995 573-1116 Internet

PONTIAC Grand Am GT '98, 2 dr, green with tan interior, 70,000 mi. Pwr door locks, CD player, manual trans, 1 owner, non smoker, excellent cond. $6,500 obo. 662-773-3733 or 662-803-1586.

PONTIAC Grand Am SE '99, V6, auto., 74K miles omn car, .30K miles on engine, exc. cond., $6800. Call (601)774-8889

PONTIAC Grand AM SE '96, red, a/c, auto, 4dr, 118K, loaded, $2900. 573-9257.

PONTIAC Grand Prix GT '98, Lcl Trd, Exc cond $6995 Paul Moak Honda 355-8100

PONTIAC GrandAm SE, '92. 1-owner, PL, PS, AC, 5-speed. $1900 (601)573-5744

PONTIAC GrandAm GT, '98. 5-speed, clean. $3495 or best offer. (601)906-1626

PONTIAC Sunbird '88, 2dr, conv., new top, sharp, $1250. (601)962-2902

PONTIAC Sunfire '98 4 door, auto, air, 101K miles. $2995. Call 956-0050, dlr.

PONTIAC Trans AM '79, At, A/c, ps, pv, black/gold, $5000obo. Call 855-2689

PORSCHE '85, black 928s, 330 HP, V8, 5 spd, $14,000. 601-591-0037 or 906-2626

SAAB 93 Conv '01, slv/sand, 19kml, NICE 601-896-0065 DLR

SATURN '99, 2dr, low miles, only $5,995. Fowler Pearl Brandon 360-0200

SATURN L200 '02, auto, CD, st#11988 $11,995 944-1333 GRAY DANIELS MAZDA

a/c, sunroof, 4dr, clean, $3750. 925-9974 292-9717

TOYOTA Corolla, '02. Auto, AC, loaded. 8K miles. $9950 (601)939-9193

TOYOTA Echo '00, 1 owner, low miles, x-clean st#2749A $8477 944-1333 GRAY DANIELS MAZDA

TOYOTA MR2 Spider '02- 6k mi., silver w/ black leather, garage kept, performance upgrade, $23k. 2 year warranty. 601-250-4561

TOYOTA MR2 Spider '01 Convertible, 1 owner, low mi, rare find, call today $19,995 Holman Dealership 987-9090

HOLMAN

TOYOTA MR2 Spyder '00 White/gray lthr/CD/warranty 18k mi $18k OBO 924-9653

TOYOTA Solara, '00. SLE, V6, leather, moonroof, loaded. $16,800 (601)953-3711

VOLVO 850 '94, 4d, sunrf, spoiler, lthr, 104k act. mi, $6450. (601)353-7936

If you need to sell your car or truck FAST, use the Big Easy Classifieds. A 3 line ad, running for 10 days, only costs you $29.00 – and you will reach the largest group of car shoppers in Mississippi. Your classified ad will also go online at clarionledger.com. The Big Easy Classified section is the one of the highest read classified sections in the country – and that means your ad will reach more prospects and get you fast results!!! Place your automotive ad in the Big Easy Classifieds by calling 961-7100.

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
REQUEST FOR PROPOSALS: PURCHASE OF VICKSBURG CHEMICAL COMPANY FACILITY AND SURROUNDING PROPERTY, VICKSBURG, MISSISSIPPI

Vicksburg Chemical Company ("VCC") owns a chemical manufacturing facility and approximately 500 acres of surrounding acreage in, Vicksburg, Warren County, Mississippi. The facility acreage includes both heavily contaminated acreage and acreage that exhibits no obvious signs of contamination and includes frontage on the Mississippi River. VCC has filed for reorganization under Chapter 11 of the United States Bankruptcy Code, and the bankruptcy is being administered by the United States Bankruptcy Court for the Southern District of New York. VCC has abandoned the facility, and the facility is currently not operating except for certain waste handling and maintenance operations being carried out by the Mississippi Department of Environmental Quality ("MDEQ") and the United States Environmental Protection Agency ("EPA").

Pursuant to order of the Bankruptcy Court, MDEQ has obtained authority to direct VCC to sell all real and personal property owned by the company in Warren County, Mississippi to a buyer or buyers chosen by MDEQ. The Company has abandoned the site physically, and the action of the federal bankruptcy court has removed this property from the bankruptcy estate, allowing it to be sold without bankruptcy court approval. Under the court's order, the proceeds from any sale of the Company's property will be used for the remediation of contamination on the Company's property.

MDEQ intends to direct VCC to sell the facility and the surrounding acreage to a buyer or buyers who will return the site and the surrounding acreage to a productive use that is in the best interest of the citizens of Mississippi, particularly including the citizens of Vicksburg and Warren County, and that results in remediation of the contaminated areas through a purchaser's direct remedial activity or through a purchaser's agreement to fund remediation activities in whole or in part.

MDEQ now seeks written proposals from prospective purchasers interested in acquiring all or part the Company's real or personal property. The Company owns approximately 550 acres in Vicksburg, Warren County, Mississippi along with buildings, equipment, and other personal property. In general, the real property is divided into a larger portion that has not been involved in the production of chemical products (approximately 500 acres) and a smaller portion (approximately 50 acres) that has been involved in the production of chemical products and which includes areas of significant contamination. Portions of the land are located along the Mississippi River, and other portions include acreage that runs along Rifle Range Road and Warrenton Road. The chemical plant site is divided into two areas known generally as the North Plant and the South Plant. The plant, prior to abandonment, manufactured and/or handled (among other things) nitric acid, potassium nitrate, nitrogen tetroxide, chlorine, sodium hypochlorite, and potassium carbonate. Environmental contamination is present at the site in various media, and no formal remediation plan has been approved by MDEQ or EPA. A consent order for investigation and remediation of contamination at the site exists between EPA and VCC, and a purchaser of the site covered by this order will be required to negotiate the continuing affect of that order with EPA and MDEQ.

Proposals should describe the prospective purchaser's intentions for use of the property and the extent of the prospective purchaser's ability and willingness to remediate the property or to direct funds toward the remediation of the property. The Proposal must include, at a minimum, the following:

1. The name of the prospective purchaser;
2. A statement entitled "Business Plan" of the proposer's project which shall include the following:
   a. A description of the property and/or equipment the potential purchaser wishes to obtain and the intended use(s) of the property and/or equipment
   b. A time line establishing beginning and completion of the business project (not including remediation activities)
   c. Number of jobs, if any, created by the project and anticipated payroll
   d. Total investment in project (not including remediation)
   e. Financial Statement or other evidence of financial capability to undertake the proposed project (including the proposed participation in the remediation)
   f. Anticipated Revenue, if any, to the State of Mississippi, Warren County and/or City of Vicksburg, both directly and indirectly.
   g. Potential impact on quality of life for citizens of Vicksburg and Warren County
   h. A description of how the prospective purchaser would intend to plan, conduct, or otherwise participate in remediation activities on the contaminated portion of the property, including the prospective purchaser's level of financial commitment to the remediation
   i. A conceptual description and cost estimate of remedial activities to be undertaken, directed, and/or funded on the contaminated portion of the property, and
   j. The proposed purchase price and terms;
3. A statement of the prospective purchaser's environmental compliance history for all operations in the United States, including the date, description, and status of any notice of violation or enforcement or compliance order issued to the prospective purchaser by any local, state, or federal environmental agency.

Proposals should not exceed fifteen (15) pages, excluding a transmittal letter or attachments such as financial statements. Five copies of any Proposal must be received on or before 3:00 p.m., February 13, 2003 and must be delivered to:

Mail Address:	Delivery Address:
Jere "Trey" Hess, P.E., DEE MDEQ	Jere "Trey" Hess, P.E., DEE MDEQ
P. O. Box 20305	101 Capitol Centre
Jackson, MS 39289-0385	101 West Capitol Street
	Jackson, MS 39201

This is not a formal bidding processes, and MDEQ reserves the right to reject all proposals or to request additional information from some, all, or none of the prospective purchasers. MDEQ reserves the right to enter further negotiations with some, all, or none of the prospective purchasers. MDEQ reserves the right to reopen the proposal process and to accept further proposals from other parties. No warranty is made or intended as to the information concerning VCC or VCC's property stated in this request for proposals. Those who submit proposals are at risk to conduct appropriate investigation concerning the correctness of representations made by VCC or other parties and/or contained or reflected in this request or in the files of MDEQ.

January 16, 2002, January 17, 2003, January 20, 2003

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
REQUEST FOR PROPOSALS: PURCHASE OF VICKSBURG CHEMICAL COMPANY FACILITY AND SURROUNDING PROPERTY, VICKSBURG, MISSISSIPPI

Vicksburg Chemical Company ("VCC") owns a chemical manufacturing facility and approximately 500 acres of surrounding acreage in, Vicksburg, Warren County, Mississippi. The facility acreage includes both heavily contaminated acreage and acreage that exhibits no obvious signs of contamination and includes frontage on the Mississippi River. VCC has filed for reorganization under Chapter 11 of the United States Bankruptcy Code, and the bankruptcy is being administered by the United States Bankruptcy Court for the Southern District of New York. VCC has abandoned the facility, and the facility is currently not operating except for certain waste handling and maintenance operations being carried out by the Mississippi Department of Environmental Quality ("MDEQ") and the United States Environmental Protection Agency ("EPA").

Pursuant to order of the Bankruptcy Court, MDEQ has obtained authority to direct VCC to sell all real and personal property owned by the company in Warren County, Mississippi to a buyer or buyers chosen by MDEQ. The Company has abandoned the site physically, and the action of the federal bankruptcy court has removed this property from the bankruptcy estate, allowing it to be sold without bankruptcy court approval. Under the court's order, the proceeds from any sale of the Company's property will be used for the remediation of contamination on the Company's property.

MDEQ intends to direct VCC to sell the facility and the surrounding acreage to a buyer or buyers who will return the site and the surrounding acreage to a productive use that is in the best interest of the citizens of Mississippi, particularly including the citizens of Vicksburg and Warren County, and that results in remediation of the contaminated areas through a purchaser's direct remedial activity or through a purchaser's agreement to fund remediation activities in whole or in part.

MDEQ now seeks written proposals from prospective purchasers interested in acquiring all or part the Company's real or personal property. The Company owns approximately 550 acres in Vicksburg, Warren County, Mississippi along with buildings, equipment, and other personal property. In general, the real property is divided into a larger portion that has not been involved in the production of chemical products (approximately 500 acres) and a smaller portion (approximately 50 acres) that has been involved in the production of chemical products and which includes areas of significant contamination. Portions of the land are located along the Mississippi River, and other portions include acreage that runs along Rifle Range Road and Warrenton Road. The chemical plant site is divided into two areas known generally as the North Plant and the South Plant. The plant, prior to abandonment, manufactured and/or handled (among other things) nitric acid, potassium nitrate, nitrogen tetroxide, chlorine, sodium hypochlorite, and potassium carbonate. Environmental contamination is present at the site in various media, and no formal remediation plan has been approved by MDEQ or EPA. A consent order for investigation and remediation of contamination at the site exists between EPA and VCC, and a purchaser of the site covered by this order will be required to negotiate the continuing affect of that order with EPA and MDEQ.

Proposals should describe the prospective purchaser's intentions for use of the property and the extent of the prospective purchaser's ability and willingness to remediate the property or to direct funds toward the remediation of the property. The Proposal must include, at a minimum, the following:

1. The name of the prospective purchaser;
2. A statement entitled "Business Plan" of the proposer's project which shall include the following:
   a. A description of the property and/or equipment the potential purchaser wishes to obtain and the intended use(s) of the property and/or equipment
   b. A time line establishing beginning and completion of the business project (not including remediation activities)
   c. Number of jobs, if any, created by the project and anticipated payroll
   d. Total investment in project (not including remediation)
   e. Financial Statement or other evidence of financial capability to undertake the proposed project (including the proposed participation in the remediation)
   f. Anticipated Revenue, if any, to the State of Mississippi, Warren County and/or City of Vicksburg, both directly and indirectly.
   g. Potential impact on quality of life for citizens of Vicksburg and Warren County
   h. A description of how the prospective purchaser would intend to plan, conduct, or otherwise participate in remediation activities on the contaminated portion of the property, including the prospective purchaser's level of financial commitment to the remediation
   i. A conceptual description and cost estimate of remedial activities to be undertaken, directed, and/or funded on the contaminated portion of the property, and
   j. The proposed purchase price and terms;
3. A statement of the prospective purchaser's environmental compliance history for all operations in the United States, including the date, description, and status of any notice of violation or enforcement or compliance order issued to the prospective purchaser by any local, state, or federal environmental agency.

Proposals should not exceed fifteen (15) pages, excluding a transmittal letter or attachments such as financial statements. Five copies of any Proposal must be received on or before 3:00 p.m., February 13, 2003 and must be delivered to:

Mail Address:	Delivery Address:
Jere "Trey" Hess, P.E., DEE MDEQ	Jere "Trey" Hess, P.E., DEE MDEQ
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This is not a formal bidding processes, and MDEQ reserves the right to reject all proposals or to request additional information from some, all, or none of the prospective purchasers. MDEQ reserves the right to enter further negotiations with some, all, or none of the prospective purchasers. MDEQ reserves the right to reopen the proposal process and to accept further proposals from other parties. No warranty is made or intended as to the information concerning VCC or VCC's property stated in this request for proposals. Those who submit proposals are at risk to conduct appropriate investigation concerning the correctness of representations made by VCC or other parties and/or contained or reflected in this request or in the files of MDEQ.

January 16, 2002, January 17, 2003, January 20, 2003

JACOBS ENTERTAINMENT, INC

Acquisition Proposal

Submitted By:

Jacobs Entertainment, Inc.

To:

Mississippi Department of Environmental Quality

In Response to:

Request for Proposals
January 15, 2003

JACOBS

Acquisition Proposal

Table of Contents

JACOBS
ENTERTAINMENT INC

February 13, 2003

HAND DELIVERED

Jere "Trey" Hess, P.E., DEE
Mississippi Department of Environmental Quality
101 Capital Centre
101 W. Capital Street
Jackson, Mississippi 39201

RE: Acquisition Proposal
Vicksburg Chemical Property

Dear Dr. Hess:

Enclosed is our Acquisition Proposal for a portion of the Vicksburg Chemical Property in Vicksburg, Mississippi. We are pleased to present to the Mississippi Department of Environmental Quality and the City of Vicksburg a proposal that includes the development of a casino/luxury hotel and 2 golf courses in Vicksburg. Such a project, we believe, will help grow the gaming market, will draw additional tourists to the area and improve the quality of life for the residents of the area.

We are prepared to meet with you, at your convenience, to discuss the proposal further.

If you have any questions, please let me know.

Sincerely,

Jacobs Entertainment, Inc.

David C. Grunenwald
Vice-President of Development/Leasing

Enclosures: (5 copies)

Cc: Jeffrey P. Jacobs
Stephen R. Roark
Ian M. Stewart

1231 Main Avenue • Cleveland, Ohio 44113 U.S.A. • Telephone: 216.861.4080 • Fax: 216.861.6315

JACOBS
ENTERTAINMENT, INC

Acquisition Proposal

Submitted By:

Jacobs Entertainment, Inc.

JACOBS ENTERTAINMENT, INC

Acquisition Proposal

Summary of the Proposal

Jacobs Entertainment, Inc. proposes to acquire approximately 500 acres of unimproved land owned by the Vicksburg Chemical Company (excluding the plant site) in Vicksburg, Mississippi and develop a 150 room luxury hotel, two championship caliber golf courses and a casino. In addition, certain land will be set aside for recreational development, including a nature preserve, in the City of Vicksburg. Phase 1 of the Project is expected to open in the Fall of 2005 and Phase 2 in the Fall of 2007.

The Project is expected to generate between 385-625 construction jobs; and 675-745 full-time equivalent jobs with an annual payroll ranging from $16-$17.6 million. In addition, it is expected to produce one-time tax revenues of $1.5-$2.175 million and annually recurring tax revenues for the City of Vicksburg and Warren County combined of $3.1-$3.5 million and for the State of Mississippi of $5.8-$6.3 million.

Furthermore, the Project is expected to grow the gaming market and increase the number of tourists visiting Vicksburg, while increasing their length of stay. All of this activity will help improve the quality of life for the residents of the area.

The Proposal

I. Purchaser: The purchaser will be Jacobs Entertainment, Inc., a Delaware corporation through a wholly-owned subsidiary to be formed ("Purchaser"). Based in Black Hawk, Colorado, Jacobs Entertainment, Inc., is the owner and operator of gaming operations in Nevada, Colorado, Virginia and Louisiana. In addition, it has a site under option in D'Iberville, Mississippi where it is in the pre-development stages for a hotel/casino.

II. Business Plan: The Purchaser's Business Plan is as follows:

A. Property: That certain unimproved land owned by the Vicksburg Chemical Company in Vicksburg ("City"), Warren County ("County"), Mississippi ("State") and comprised of approximately 500 acres ("Property"). The purchaser acknowledges that the Property is under the control of the Mississippi Department of Environmental Quality ("MDEQ"). The portion of the Property previously occupied by the Vicksburg Chemical plant facility ("Plant Site") is to be remediated and developed by others.

The Intended Use of the Property is a casino/luxury hotel together with two golf courses ("Project"), to be developed in phases as follows:

1. Phase 1
   a. A casino with between 700-1,000 gaming positions.
   b. A 150 room luxury hotel.
   c. A championship caliber 18-hole public golf course.
   d. Related food, beverage and administrative facilities.

2. Phase 2
   a. 150 room hotel addition.
   b. A second championship caliber 18-hole golf course reserved for casino patrons.

In addition, Purchaser intends to dedicate land not required for the Project ("Excess Land") to the City for other recreational or development purposes including a nature preserve.

In order to complete the Project, Purchaser will request that the City assist in the following ways:

1. Acquire, through eminent domain if necessary, certain adjacent Property for public purposes, including a portion of the public golf course and public loop road.
2. Authorize and assist in the development of a loop road serving the public golf course and the Property starting near the intersection of Warrenton Road and Route 20 south through the Property and terminating back at Warrenton Road approximately 1 mile south of Route 20.
3. Permit monument signage serving the public golf course and the Property near the north entrance to the loop road.
4. Authorize the use of tax increment financing for the loop road and other public improvements occasioned by the Project.

The Purchaser intends for the Plant Site to be developed by another party, with a use compatible with Purchaser's Project. The development of the Plant Site should proceed in a way that the environmental issues are resolved to the satisfaction of the MDEQ and other regulatory bodies and the site remediated. In addition, the use of the Plant Site should not interfere with the construction and operation of the planned golf courses.

The Purchaser prefers the Plant Site not be used as a chemical plant or any other heavy industrial use. However, the Purchaser will not object to such uses, if it can be demonstrated that they would not be harmful to patrons of the golf courses or would make play at the golf courses undesirable to patrons.

A preliminary site plan is included as Exhibit A.

B. Timeline: The Project shall be undertaken as follows: Construction of Phase 1 shall commence within 18 months following acquisition by the Purchaser. If this Proposal is accepted by March 1, 2003, following a due diligence period of 4 months, a closing period of 2 months, and a predevelopment period (for preparation of construction documents, bidding, etc.) of 12 months, construction would commence on or about September 1, 2004. Allowing a construction period of 12 months, Phase 1 would open for business on or about September 1, 2005. Construction of Phase 2 shall commence 24 months following completion of Phase 1, subject to market demand.

C. Jobs Created: Hard construction cost for the project is expected to range from $40 to $52 million ("Construction Cost"). The Construction Payroll is expected to range from 40-50% paid at the local average prevailing wage of $20.00 per hour. As a result, the Project would produce a one-time impact as follows:

1. Construction Cost:	$40 Million	-	$52 Million
2. Construction Payroll:	$16-20 Million	-	$20.8-$26.0 Million
3. Construction Jobs (FTE*):	385-481	-	500-625

** Full Time Equivalent*

In addition, the Project is expected to generate between $55-$60 million of gaming revenue with an industry average payroll of 25% at a local average prevailing rate of $12.50 per hour, $5.5-$6.0 million of food and beverage revenue with an industry average payroll of 35% at a local average prevailing rate of $7.50 per hour and $1.0-$1.5 million of greens fees and other revenue with an industry average payroll of 35% at a local average prevailing rate of $7.50 per hour. As a result, the Project would produce the annually recurring payroll and jobs as follows:

1. Payroll:	$16-$17.6 Million
2. Full-Time Jobs (FTE*):	675-745

** Full Time Equivalent*

D. Total Investment in the Project: $80 million-$100 million, as follows:

Acquisition & Construction	$47-$59 Million
F, F & E* - Gaming Devices	$15-$19 Million
F, F, & E* - Non-Gaming	$5-$7 Million
Professional Fees & Soft Costs	$13-$15 Million
Total	*$80-$100 Million*

** Furniture, Fixtures & Equipment*

E. Financial Statement. The Purchaser is a privately owned gaming company ("Company") based in Black Hawk, Colorado. Among other things, the Company owns and operates the following:

1. The Lodge Casino in Black Hawk, Colorado, featuring 900 gaming devices, 600 parking spaces and 50 hotel rooms.
2. Colonial Downs Racetrack in Richmond, Virginia, featuring both turf and dirt courses for both thoroughbred and standard bred horses on a 1-mile oval. Colonial Downs is home to the $500,000 Virginia Derby. As part of the horse racing division, the Company also owns and operates 4 satellite-wagering facilities in Virginia.

In addition, the Company owns and operates a second casino in Black Hawk, Colorado, a casino in Reno, Nevada, 12 video gaming facilities (together with an affilliated entity) in Louisiana (with 2 in pre-development) and is developing a casino/hotel in D'Iberville, Mississippi, as it nears completion of an environmental impact statement for a casino project there.

A profile of the Company is included as Exhibit B.

The Company has annual combined revenues of over $170 million.

A copy of the financial statement for the Company is attached as Exhibit C.

Companies related to the Purchaser are in the real estate operation and development business and have developed shopping malls, apartments and office buildings nationwide.

F. **Tax Revenue**. Anticipated Revenue to the City, County and State is estimated as follows:

1. **One-Time Impact:** Construction payroll is expected to range from $16-$26.0 million and local purchases of goods and services during construction are expected to range from $10-$12.5 million, producing the following one-time impact:

a. Local Portion of Sales Taxes @ 1.3%:	$130	-	$162,500
b. State Income Taxes @ 5%:	$800	-	$1,300,000
c. State Portion of Sales Taxes @ 5.7%:	<u>$570</u>	-	<u>$712,500</u>
Total One-Time Taxes	$1,500	-	$2,175,000

2. **Recurring Taxes:** The Project is expected to generate gaming revenue between $55-$60 million, have a minimum of 800 gaming devices, and generate annually between $16-$17.6 million payroll, food & beverage sales of between $5.5-$6.0 million, and local purchases of goods and services of between $2.75-$3.0 million. In addition, it is assumed that the Acquisition and Construction Cost ranging from $36-$42 million (which reflects an exemption for hotel assets) will be the minimum Real Estate tax value and the non-gaming equipment purchases of $4-$6 million (which reflects an exemption for hotel assets) will be the minimum property tax values. Such activity will produce the following annually recurring taxes.

City & County

a. Local Portion of Sales Taxes @1.3%:	$107	-	$117,000
b. Real Estate Taxes@ 1.76%*:	$632	-	$738,000
c. Personal Property Taxes @1.76%*:	$70	-	$105,000
d. Gross Revenue Fee @ 4%**:	$2,200	-	$2,400,000
e. Annual License Fee @$150 per device:	<u>$120</u>	-	<u>$150,000</u>
Total	$3,129	-	$3,510,000

** effective rate*

*** Includes the Local Government Fee*

State

a. Income Taxes @5%	$801 - $881,250	
b. Sales Taxes @5.7%:	$470 - $513,000	
c. Annual License Fee		
First 35	$81 - $81,200	
Over 35 @ $100	$70 - $90,000	
d. Gross Revenue Fee @ 8%**	$4,400 - $4,800,000	
Total	$5,822 - $6,365,450	

** effective rate*

*** rounded*

In addition, other taxes not accounted for here include the county portion of the sales tax on food and beverages and the local hotel and motel tax; or will result from such things as food and beverage purchases during construction.

3. **Multiplier Effect:** To summarize, the Project is expected to generate jobs for area residents and State, County and City taxes. In addition, it can be expected to have a multiplier (i.e. ripple) effect in the City and County in many ways, including the following:
   a. The increase in better paying jobs will increase such things as consumer spending.
   b. Local purchasing of goods and services will improve the sales volumes and profitability of local businesses. Such improvement should result in additional jobs and taxes.
   c. The Project is expected to attract visitors for two or three day vacations, thereby extending the average length of stay.
   d. The reinvestment of annually recurring taxes into products and services will in turn increase the jobs and taxes in the City, County and State.

G. **Impact on the Quality of Life.** The Project can be expected to improve the quality of life for the residents of the City and County. Notably, the Project will enhance Vicksburg's reputation as a vacation destination. In addition, the Project will help in the following ways.

1. Tax Revenue: The additional tax revenue will permit the City, County and State to improve the quality of life by building better roads, schools and other physical facilities, and by providing

other services.

2. Job Creation: The jobs created by the Project will provide a better quality of life for those who are able to move from the ranks of the unemployed or improve their job status. In addition, providing local jobs means less commuting time for residents in the area. A hiring preference for jobs will be established for residents of Vicksburg.
3. Greater recreational opportunities: The golf courses as well as developments on the Excess Land will provide greater recreational opportunities for residents of the area. For example, the nature preserve is expected to feature a path for walkers and joggers.
4. Traffic: The traffic generated by the Project should not have an adverse effect on the residents. The Project is conveniently located near Routes. 61 and 25 providing easy ingress and egress for visitors to the casino and the golf courses. The Project should produce little if any congestion.
5. Impact on local businesses: The Project is expected to generate a certain level of annual purchases of goods and services for local businesses. The casino/hotel will buy such things as printing services, food and beverage products and cleaning and maintenance supplies from local vendors.
6. Longer overnight stays and restaurant customers: The Project is expected to extend the average length of overnight stay for visitors, resulting in greater revenue for local hotels and restaurants.

H. **Remediation Activities**. In general, the Purchaser intends to purchase the Property excluding the Plant site and, as a result, does not intend to conduct the remediation activities on the Plant Site. Accordingly, the Purchaser will only evaluate and conduct remediation, if necessary, on the Property acquired. However, the Purchaser will cooperate with the parties participating in the Plant Site in any way necessary towards the remediation of the Plant Site, including providing access to the Plant Site from the Property if necessary.

I. **Cost of Remediation**. Not Applicable.

J. **Purchase Price and Terms**. $7 million. The Purchase Price shall be paid to coincide with the remediation of the Plant Site on a mutually satisfactory basis. In addition, the purchase shall be subject to the following Terms:

1. **Earnest Money Deposit**. Upon acceptance of this Proposal, $50,000 shall be deposited in

escrow as non-refundable earnest money deposit ("Earnest Money"). In the event that Purchaser terminates the Purchase Agreement, the Earnest Money shall be disbursed as the MDEQ shall direct; and, in the event of closing it shall be applied against the Purchase Price.

2. **As-Is where-Is Condition.** The Purchaser shall purchase the Property in its "AS-IS, WHERE-IS" condition without representations or warranties as to its physical condition.

3. **Purchase Agreement.** The acquisition of the Property shall be consummated pursuant to a Real Estate Purchase Agreement ("Purchase Agreement") to be negotiated. The Purchase Agreement shall reflect the terms of this Proposal and such other normal and customary terms upon which the parties shall agree. The parties agree to negotiate in good faith and to execute a Purchase Agreement within thirty (30) days following acceptance of this Proposal.

4. **Conditions.** This offer is subject to the following conditions:

   a. Good and marketable fee simple title in the Property, including all improvements thereon shall be delivered to the Purchaser, free and clear of all liens and encumbrances, other than real estate taxes, utility and roadway easements and such other easements and natural physical features which, in Purchaser's sole discretion, will not interfere with Purchaser's intended use of the Property.

   b. The risk of loss remains with the Owner until the Closing (as defined herein).

   c. The Property shall be insured as necessary until the Closing.

   d. In the event that Purchaser's environmental examination of the Property reveals that there is contamination on the Property related to the Plant Site which cannot, in the sole discretion of the Purchaser but after consultation with the MDEQ and EPA, satisfactorily and economically be remediated, then in such an event, the Purchaser may terminate the Purchase Agreement.

5. **Due Diligence Period.** The Purchaser shall have one hundred twenty days (120) following the execution of the Purchase Agreement by the parties in which to examine and evaluate the Property (the "Due Diligence Period"). The Purchaser may conduct such tests ("Examination") as it feels, in its sole discretion, are necessary for such purpose; provided, however, that at a minimum the Purchaser shall conduct a Phase 1 and 2 environmental evaluation of the Property and prepare a plan with cost estimates for its remediation if necessary ("Remediation Plan"). Purchaser will be given reasonable access to the Property

in order to conduct, and agrees to repair any physical damage to the Property occasioned by, such tests. In addition, the parties to the Purchase Agreement agree to provide Purchaser all copies of all existing surveys, and title, environmental, soil and such other reports as eachhas in its possession. At the end of the Due Diligence Period, the Pur chaser shall notify the parties either that (A) the results of the Examination are unaccept able to Purchaser, in which case the Purchase Agreement shall be null and void, or (B) that Purchaser intends to close. In such an event, the Closing shall occur as provided in the Purchase Agreement. In the event that the transaction is not closed, the Purchaser shall turn over to the MDEQ all right, title and interest in the reports, which were produced as part of the Examination; provided, however, the Purchaser makes no representations concerning the value or accuracy of such reports.

6. **Closing**. The Closing ("Closing") shall occur no later than sixty (60) days following the expiration of the Due Diligence Period, at a time and place mutually agreed upon by the parties.

7. **Transfer of Title**. The transfer of the Property to Purchaser shall be by general warranty deed.

8. **Fees and Expenses.** Purchaser shall pay one-half of the closing costs and escrow fees, excluding the seller transfer taxes if any, the other one-half shall be deducted from the Purchase Price. Each party shall be responsible for its own legal expenses. Any other fees shall be allocated as is customary in the State.

9. **Brokers Commission**. The Purchaser, for its part, has engaged the services of Sawyer Realty in the acquisition of this Property and agrees to pay any real estate commission due Sawyer Realty. Otherwise, each party agrees to defend and indemnify the other party from claims of any other real estate broker claiming a commission through such party.

III. Environmental Compliance.

The Purchaser and the Company have conducted projects in four states. To date, to the best of its knowledge, the Company has never been issued a notice of violation from the United States Environmental Protection Agency or any state or local environmental agency for any of its projects.

The Purchaser has a broad range of experience in dealing with environmental matters as they relate to the acquisition and development of real estate.

In general, The Purchaser customarily conducts a Phase 1 examination as part of any real estate acquisition. In many cases, a Phase 2 examination is conducted as well. In addition, the following matters are worth noting.

A. In the development of the Lodge Casino in Black Hawk, Colorado, the Purchaser designed and operated a state-of-the-art water treatment facility. The $1 million facility cleaned all ground water exposed during construction prior to its release back into the ground or adjacent creek bed.

B. At a cost of nearly $500,000, the Purchaser is nearing completion of an environmental impact statement ("EIS") related to its project in D'Iberville, Mississippi. The Purchaser believes it is the first such EIS in support of a single casino to be conducted in the State.

C. During the construction of the Colonial Downs Racetrack, the Purchaser undertook an extensive wetlands delineation and preservation program. Today, the site covers nearly 600 acres, much of which remains virgin forest.

Purchaser's environmental experience, including full compliance with related rules and regulations, demonstrates its ability to properly deal with environmental issues confronted during the development process and to bring creative solutions to bear.

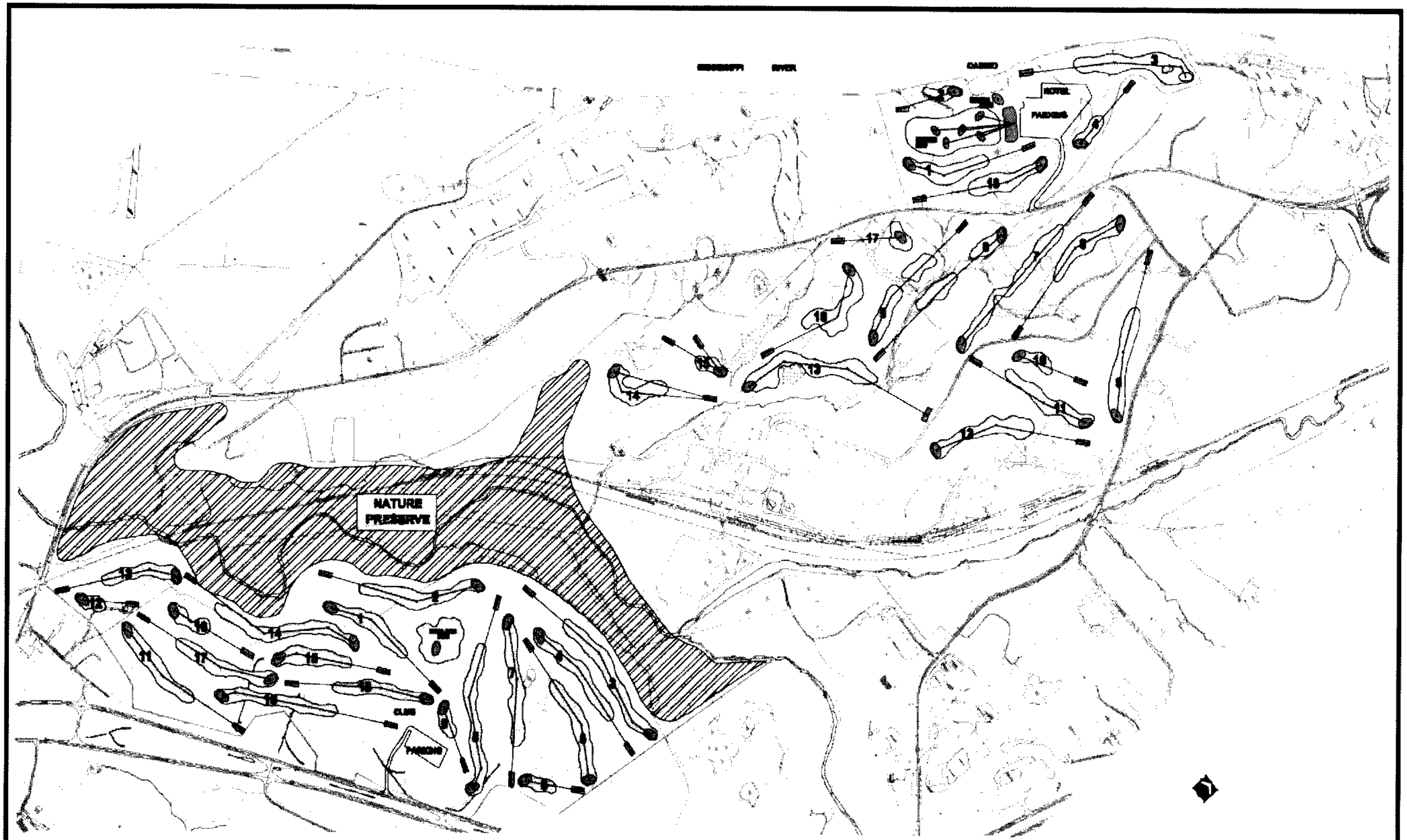
IV. Conclusion

We are pleased to present this proposal to the MDEQ and the City of Vicksburg and look forward to the successful implementation of the proposed Project.

Respectfully Submitted:

Jacobs Entertainment, Inc.

David C. Grunenwald
Vice-President of Development/Leasing



36 - HOLE MASTER PLAN
VICKSBURG, MISSISSIPPI

JANUARY 2003
REV. 1-31-03, 2-6-03

Exhibit A

Exhibit B

Our Company

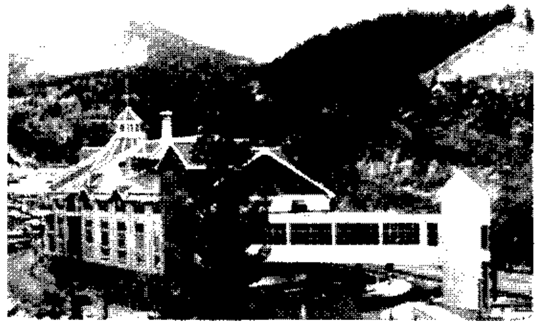
We are a geographically diversified gaming and pari-mutuel wagering company with properties in Colorado, Nevada, Louisiana and Virginia. We own and operate three land-based casinos, six truck plaza video gaming facilities and a horse racing track with three off-track wagering facilities. In addition, we are party to an agreement that entitles us to a portion of the gaming revenue from an additional truck plaza video gaming facility and lease and operate a fourth off-track wagering facility.

Strong, Experienced Management Team: Our senior management team is an experienced group of industry veterans. The Company today is largely the product of a merger of related companies which occurred in 2002. Jeffrey P. Jacobs, our Chairman and Chief Executive Officer, has been the Chief Executive Officer since November 1996. Stephen R. Roark, has been our Chief Financial Officer and President of Casino Operations since September 1995 and its Chief Financial Officer since 1993. Ian M. Stewart, has been our President of Pari-Mutuel Wagering and Video Poker Operations since November 1998 and its Chief Financial Officer since June 1997. Michael T. Shubic, our Regional Vice President of Gaming Operations, has over 25 years of experience in the gaming industry. The three general managers of our casinos, who have a combined total of approximately 45 years of casino management experience, report directly to Mr. Shubic. Rick Gottardi and Reid Smith oversee the day-to-day operations of our truck plaza video gaming operations, have over 20 years of combined experience in the gaming industry and report directly to Mr. Stewart. We believe the expertise and experience of our management team will enable us to enhance the operation of our existing properties and any properties we may acquire in the future.

Our Properties

The Lodge Casino – Black Hawk, Colorado:

The Lodge Casino in Black Hawk, Colorado, which commenced operations in June 1998, is one of 21 land-based casinos located in the gaming district of Black Hawk. The Lodge services the greater Denver metropolitan area population of approximately 2.6 million located 40 miles east of Black Hawk, as well as customers from nearby communities such as Boulder and Fort Collins, Colorado and Cheyenne, Wyoming. We believe that The Lodge's customers are primarily day trip patrons, approximately 70% of whom reside in the greater Denver metropolitan area. As of December 31, 2002, the Black Hawk market had approximately 9,300 gaming devices generating approximately $522 million in revenues for the twelve months then ended. We are one of the largest gaming facilities in the market and strive to offer a larger average number of gaming devices, a wider variety of amenities and more convenient free parking for patrons.

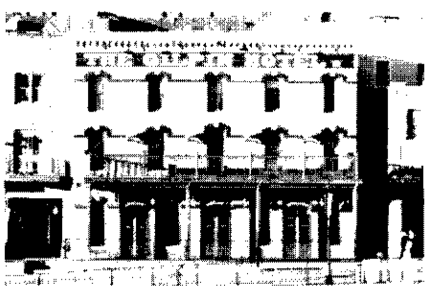


The Lodge is located on a 2.5 acre site that abuts State Highway 119, with approximately 25,000 square feet of gaming space on two floors containing 900 slot machines and 25 table games, 50 hotel rooms, three restaurants, four bars and onsite parking for 600 vehicles. Our property includes a buffet and The White Buffalo Grille, an upscale dining facility.

We utilize computerized slot data tracking systems that allow us to track individual play and payouts and develop mailing lists for special events, contest play and promotions. The Lodge participates in busing programs with unaffiliated transportation companies who transport patrons to Black Hawk/ Central City from the market areas described above. Black Hawk Gaming has obtained an exemption as a common carrier from the Colorado Public Utilities Commission and may elect to operate its own busing program in the future.

The Gilpin Hotel Casino – Black Hawk, Colorado

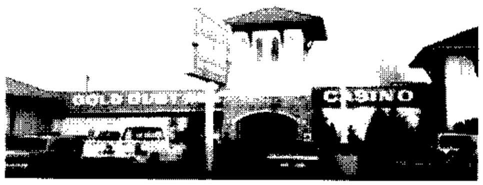
The Gilpin Hotel Casino, which commenced operations in October 1992, is a 37,000 square foot facility located on a one-acre site in the central Black Hawk gaming district. We expanded our facility through



the acquisition of an adjacent casino in early 1994. We were one of the first casinos opened in Colorado following the legalization of casino gaming in 1991. We offer 460 slot machines, a restaurant and four bars. We also offer slot club, busing and other promotional programs, and have available to our customers 200 surface parking spots in the heart of historic Black Hawk.

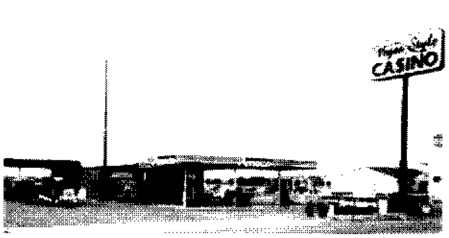
The Gilpin Hotel Casino is currently being expanded. We will place all gaming operations on a single floor and upgrade and renovate the overall structure. These improvements are budgeted to cost approximately $6.0 million. While we expect construction and other disruption during the renovation period will temporarily adversely affect our business, we believe completion of these renovations will enable us to continue to compete effectively in the Black Hawk market and ultimately to improve our operating results.

The Gold Dust West Casino – Reno, Nevada



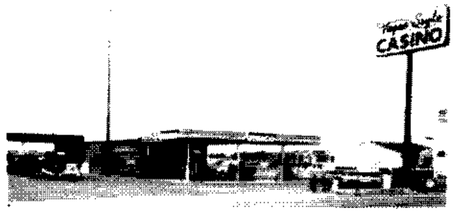
The Gold Dust West Casino, located on 4.6 acres in Reno's central downtown gaming district, has been operating since 1978. The casino caters to residents of Reno and surrounding areas and has about 17,500 square feet of gaming space, currently accommodating 500 slot machines. We offer the Wildwood Restaurant, a 6,600 square foot dining facility, 106 motel rooms, and surface parking for 275 vehicles. We implemented a slot player tracking system in September 2001, which should facilitate improvement of the casino's operating results. The Reno/Sparks, Nevada market area generated approximately $1.0 billion of gaming revenues for the 12 months ended October 31, 2002. There were approximately 34 casinos in the Reno/Sparks market area as of October 31, 2002.

Louisiana Gaming Properties



Our truck plaza properties consist of seven truck plaza video gaming facilities located in Louisiana and a share in the gaming revenues from an additional Louisiana truck plaza gaming facility. Our properties include the Houma Truck Plaza and Casino in Houma; Winner's Choice Casino in Sulphur; Lucky

Magnolia Truck Stop and Casino in St. Helena Parish; Bayou Vista Truck Plaza and Casino in Bayou Vista; Colonel's Truck Plaza and Casino in Thibodeaux; and Raceland Truck Plaza and Casino in Raceland. We are also party to an agreement that entitles us to a portion of the gaming revenues from Cash's Truck Plaza and Casino in Lobdell. Each truck plaza features a convenience store, fueling operations, a 24-hour restaurant, and 50 video poker devices (except for Lucky Magnolia Truck Stop and Casino, which has 40 devices).

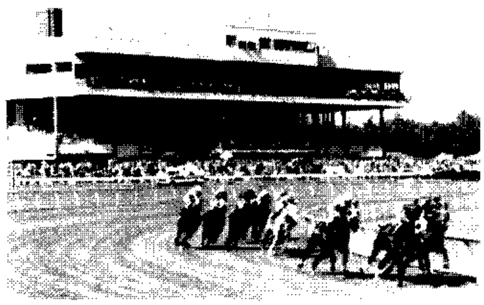


The Louisiana video gaming industry consists of video gaming in 31 of Louisiana's 64 parishes. The industry is highly regulated and video gaming machines can only be placed in qualifying bars, restaurants, hotels, off-track wagering facilities and truck plazas. In order to qualify for video gaming, a truck plaza must offer diesel fuel, gasoline, a convenience store, a restaurant and a place for truck drivers to shower and sleep. Our video gaming machines are located in a separate gaming room that is designed to provide a pleasant casino-like atmosphere. As of September 30, 2001, Louisiana had 112 licensed truck plazas.

The Louisiana truck plaza video gaming market caters primarily to local residents whom we believe contribute to the vast majority of truck plaza gaming revenue. We believe that most of our video gaming customers live within a five-mile radius of our properties.

Colonial Downs – New Kent, Virginia

Colonial Downs, which opened in 1997, is a racetrack in New Kent, Virginia, which primarily conducts pari-mutuel wagering on thoroughbred and harness racing. The track facility was designed to provide patrons with a pleasant atmosphere to enjoy quality horse racing. The outside grandstand area, located on the first floor of the track facility, has an occupancy capacity of approximately 4,000 patrons. Also located on the first floor of the track facility are



two simulcast television amphitheaters, two covered patio-seating areas, four bars, a large concession food court, gift shop, and wagering locations with approximately 72 tellers. The Jockey Club, which is in the main grandstand area located on the third floor of the track facility, includes a full-service dining area with a seating capacity of 548 patrons, two separate lounge areas, and additional wagering locations with 24 tellers. The Turf Club is a private club and contains 10 luxury suites with skybox seating located on the fourth floor of the track facility and has a wagering location with four tellers.

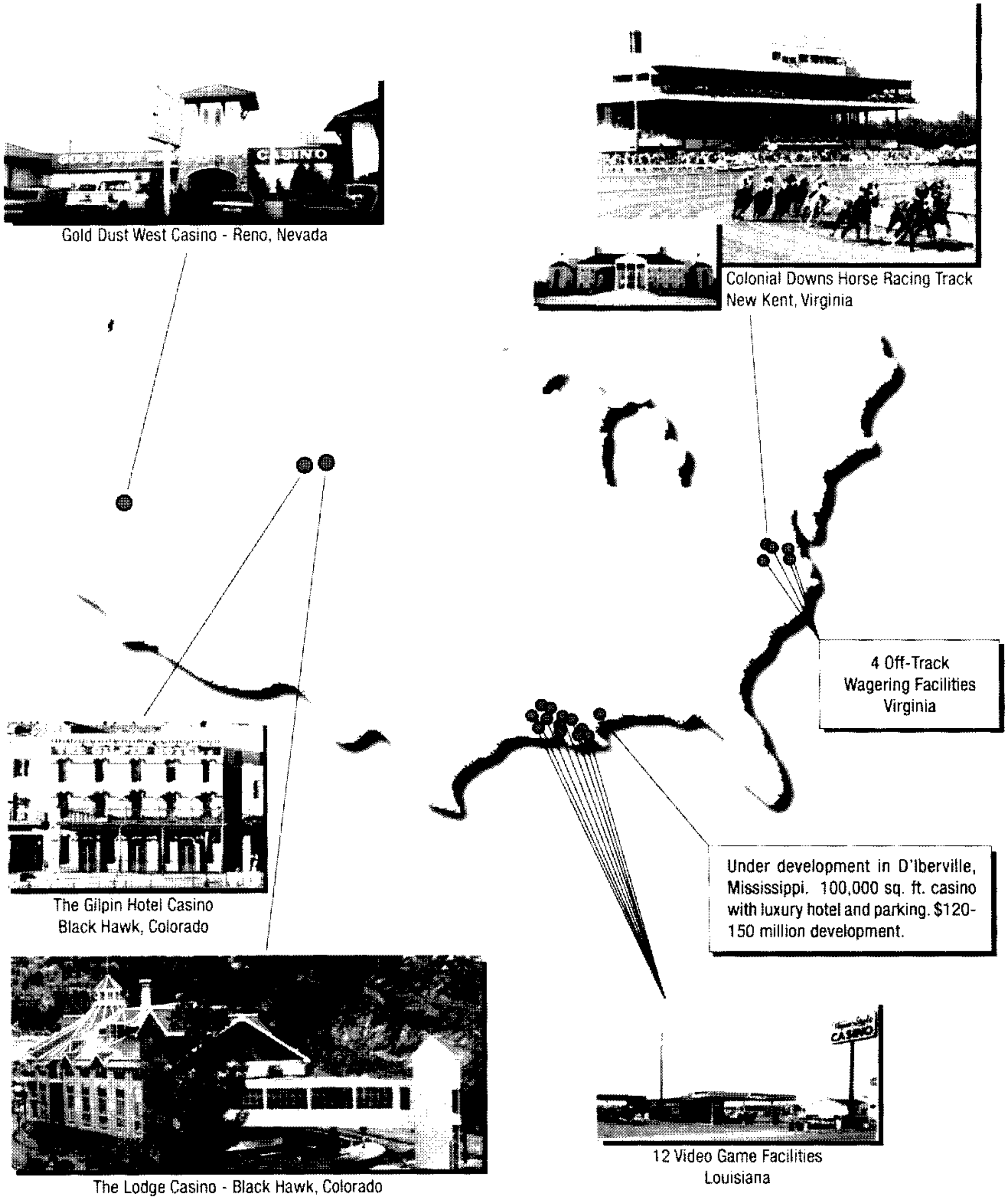
The one and one-quarter mile dirt track is one of the largest tracks in the United States and its 180-foot wide turf track is the largest turf track in North America. These unique configurations have attracted and are expected to continue to attract quality horses to the track. Colonial Downs has conducted more than 80% of its thoroughbred races over the turf course for the last two years, thereby establishing the track as a major turf racing center in America. Colonial Downs is developing the $500,000 Virginia Derby, a turf race for three-year old thoroughbreds, into the marquee event of the thoroughbred meet.

Finally, in September of 2002, Colonial Downs acquired 264 acres of land surrounding the racetrack for further development.

Off-track Wagering Facilities, Virginia

In addition to our racetrack facility, we own and operate three off-track wagering facilities and lease and operate a fourth facility in Virginia. These facilities provide simulcast pari-mutuel wagering on thoroughbred and harness racing from our racetrack and selected other racetracks throughout the United States. Our off-track wagering facilities are located in Richmond, Chesapeake, Hampton, and Brunswick. These facilities employ state of the art audio/video technology for receiving quality import simulcast thoroughbred and harness racing from nationally known racetracks.

The facilities are structured to accommodate the needs of various patrons, from the seasoned handicapper to the novice wagerer, and provide patrons with a comfortable, upscale environment including a full bar and a range of restaurant services. In addition, self-serve automated wagering equipment is available to patrons in order to make wagering more user-friendly to the novice and more efficient for the expert. This equipment, with touch-screen interactive terminals and personalized portable wagering terminals, provides patrons with current odds information and enables them to place wagers and credit winning tickets to their accounts without waiting in line. Under current law, before we can open the two remaining off-track wagering facilities permitted by our license, we are required to win approval through a local referendum process in the municipalities in which the facilities will be located.


Gold Dust West Casino - Reno, Nevada
Colonial Downs Horse Racing Track
New Kent, Virginia
4 Off-Track
Wagering Facilities
Virginia
Under development in D'Iberville, Mississippi. 100,000 sq. ft. casino with luxury hotel and parking. $120-150 million development.
The Gilpin Hotel Casino
Black Hawk, Colorado
The Lodge Casino - Black Hawk, Colorado
12 Video Game Facilities
Louisiana

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File Number: 333-88242

JACOBS ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of Incorporation or organization)	**34-1959351** (I.R.S. Employer Identification No.)
240 Main Street, Black Hawk, Colorado (Address of principal executive offices)	**80422** (Zip Code)

Registrant's telephone number, including area code (303) 582-1117

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☐ No ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 par value	1,500 shares
Class	Outstanding as of November 13, 2002

Jacobs Entertainment, Inc.

Index
September 30, 2002

JACOBS ENTERTAINMENT, INC.

UNAUDITED CONSOLIDATED BALANCE SHEETS
September 30, 2002 and December 31, 2001
(Dollars In Thousands)

	September 30, 2002	December 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,678	$ 3,171
Restricted cash	1,879	806
Prepaid expenses and other assets	5,681	1,171
Total current assets	23,238	5,148
PROPERTY, PLANT AND EQUIPMENT		
Land and improvements	41,464	16,588
Building and improvements	103,935	52,189
Equipment, furniture and fixtures	25,924	4,857
Leasehold improvements	515	1,109
	171,838	74,743
ACCUMULATED DEPRECIATION	(17,095)	(7,420)
Property, plant and equipment, net	154,743	67,323
OTHER ASSETS:		
Equity method investments	—	20,443
Goodwill	37,248	5,140
Identifiable intangible assets	7,616	6,447
Other assets	11,642	1,491
TOTAL ASSETS	$ 234,487	$ 105,992
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 20,469	$ 9,496
Current portion of long-term debt and capital lease obligations	2,230	737
Total current liabilities	22,699	10,233
Long term debt and capital lease obligations	138,109	5,692
Long term debt - related parties	9,000	9,000

Total long-term debt	147,109	14,692
Total liabilities	169,808	24,925
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	—	17,308
STOCKHOLDERS' EQUITY		
Common stock $.01 par value; 1,500 shares authorized, issued and outstanding	—	—
Additional paid in capital	27,992	27,992
Retained earnings	36,687	35,767
Total stockholders' equity	64,679	63,759
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 234,487	$ 105,992

See notes to unaudited consolidated financial statements

JACOBS ENTERTAINMENT, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended September 30, 2002 and 2001
(Dollars In Thousands)

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001
REVENUES:		
Gaming:		
Casino	$ 25,537	—
Truck stop	5,399	1,739
Pari-mutuel	7,562	7,838
Food and beverage	3,995	554
Convenience store - Fuel	3,850	1,747
Convenience store - Other	861	282
Hotel	442	—
Other	692	1,214
Total revenues	48,338	13,374
Promotional allowances	(4,236)	—
Net revenues	44,102	13,374
COSTS & EXPENSES:		
Gaming:		
Casino	7,982	—
Truck stop	2,572	465
Pari-mutuel	6,556	6,985
Food and beverage	3,657	450
Convenience store - Fuel	3,579	1,622
Convenience store - Other	1,271	207
Hotel	284	—
Marketing, general and administrative	9,097	1,452
Privatization and other non-recurring costs	—	538
Depreciation and amortization	2,410	650
Total costs and expenses	37,408	12,369
OPERATING INCOME	6,694	1,005
Interest income	32	—
Interest expense	(4,940)	(1,107)

INCOME BEFORE EQUITY IN INVESTMENTS AND MINORITY

INTEREST	1,786	(102)
Equity in earnings of investments - Black Hawk and Lodge	—	1,079
Minority interest in loss - Colonial	—	369
NET INCOME	$ 1,786	$ 1,346

See notes to unaudited consolidated financial statements

JACOBS ENTERTAINMENT, INC

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Ended September 30, 2002 and 2001
(Dollars In Thousands)

	Nine Months Ended September 30,	
	2002	2001
REVENUES:		
Gaming:		
Casino	$ 60,295	$ —
Truck stop	15,969	4,645
Pari-mutuel	21,310	21,445
Food and beverage	9,364	1,420
Convenience store - Fuel	10,552	4,287
Convenience store - Other	2,449	690
Hotel	943	—
Other	1,758	3,018
Total revenues	122,640	35,505
Promotional allowances	(9,743)	—
Net revenues	112,897	35,505
COSTS & EXPENSES:		
Gaming:		
Casino	18,889	—
Truck stop	7,304	1,296
Pari-mutuel	17,595	18,357
Food and beverage	8,822	1,171
Convenience store - Fuel	9,648	3,979
Convenience store - Other	3,343	546
Hotel	635	—
Marketing, general and administrative	22,260	4,436
Privatization and other non-recurring costs	524	538
Depreciation and amortization	6,120	1,859
Total costs and expenses	95,140	32,182
OPERATING INCOME	17,757	3,323
Interest income	142	—
Interest expense	(13,237)	(3,134)
INCOME BEFORE EQUITY IN INVESTMENTS AND MINORITY INTEREST	4,662	189

Equity in (loss) earnings of investments - Black Hawk and Lodge	(1,980)	2,431
Minority interest in loss - Colonial	173	756
NET INCOME	$ 2,855	$ 3,376

See notes to unaudited consolidated financial statements

JACOBS ENTERTAINMENT, INC

UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Nine Months Ended September 30, 2002
(Dollars In Thousands)

	Common Stock		Additional		
	Shares	Amount	Paid-in Capital	Retained Earnings	Total
BALANCES, JANUARY 1, 2002	1,500	$ —	$ 27,992	$ 35,767	$ 63,759
Distributions				(1,935)	(1,935)
Net income				2,855	2,855
BALANCES, SEPTEMBER 30, 2002	1,500	$ —	$ 27,992	$ 36,687	$ 64,679

See notes to unaudited consolidated financial statements

JACOBS ENTERTAINMENT, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2002 and 2001
(Dollars In Thousands)

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
OPERATING ACTIVITIES:		
Net income	$ 2,855	$ 3,376
Adjustments to reconcile net income to net cash provided by operating activites:		
Equity in loss (earnings) of investments	1,980	(2,431)
Minority interest	(173)	(756)
Depreciation and amortization	6,120	1,859
Deferred financing cost amortization	713	—
Bond issue discount amortization	456	—
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Prepaid expenses and other assets	(1,441)	(1,374)
Accounts payable and accrued expenses	700	2,433
Net cash provided by operating activities	11,210	3,107
INVESTING ACTIVITIES:		
Additions to property, plant, and equipment	(3,881)	(630)
Proceeds from sale of equipment	226	—
Acquisitions, net of cash acquired:		
Black Hawk Gaming	(85,428)	—
Colonial Downs	(4,644)	—
Truck stops	(13,929)	(12,232)
Net cash used in investing activities	(107,656)	(12,862)
FINANCING ACTIVITIES		
Net proceeds from bond issuance	120,050	—
Proceeds from related party truck stop loans	—	9,500
Payments to obtain financing	(7,735)	—
Contribution from members	—	4,006
Payments on long term debt	(1,427)	(243)
Distributions to owners	(1,935)	(1,144)
Net cash provided by financing activities	108,953	12,119
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,507	2,372
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,171	1,162
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 15,678	$ 3,534

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	$ 8,475	$ 2,093
Non-cash investing and financing activity		
Acquisition of property	$ 3,280	$ —

See notes to unaudited consolidated financial statements

JACOBS ENTERTAINMENT, INC.

NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(DOLLARS IN THOUSANDS)

1. BUSINESS AND ORGANIZATION

Jacobs Entertainment, Inc. ("JEI" or the "Company") was formed on April 17, 2001, as an S-Corporation, to become a geographically diversified gaming and pari-mutuel wagering company with properties in Colorado, Nevada, Louisiana, and Virginia. The Company's sole shareholders, who each own 50% of JEI's common stock, are Jeffrey P. Jacobs and the Richard E. Jacobs Revocable Trust, of which Richard E. Jacobs is the sole trustee (collectively, "Jacobs"). As a result of the transactions described in Notes 4 and 5, effective February 22, 2002, JEI owns and operates three land based casinos, six truck plaza video gaming facilities, and a horse racing track with three off-track wagering facilities. In addition, the Company receives a percentage of gaming revenue from an additional truck plaza video gaming facility and leases and operates a fourth off-track wagering facility. Until these acquisitions were completed, the Company had not conducted any operations.

2. SIGNIFICANT ACCOUNTING POLICES

Unaudited Consolidated Financial Statements – In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are necessary for the fair presentation of the financial position of the Company as of September 30, 2002 and December 31, 2001 and the results of its operations and cash flows for the three and nine-month periods ended September 30, 2002 and 2001. The accompanying unaudited consolidated financial statements include the various accounts of the Company after giving effect to the February 22, 2002 acquisitions as more fully described in Note 5. All significant inter-company transactions and balances have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of JEI and its most significant subsidiary, Black Hawk Gaming & Development Company, Inc. contained in the Company's Form S-4 for the year ended December 31, 2001, filed with the U.S. Securities Exchange Commission. The results of interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2002.

Reclassifications – Certain amounts have been reclassified within the 2001 financial statements to conform to the presentation used in 2002.

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations," which is effective July 1, 2001. SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. We are currently in the process of evaluating the impact of SFAS 141 on the February 22, 2002 acquisitions. Specifically, we are in the process of obtaining third party valuations of our tangible assets and third party identification and valuation of intangible assets associated with these acquisitions.

However, we do not believe the implementation of SFAS 141 will have a material impact on our financial position or results of operations.

In July 2001, the FASB issued SFAS No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," (see Note 3).

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." This statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. This statement requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. This statement also broadens the presentation of discontinued operations to include more disposal transactions. We adopted the provisions of this statement at the beginning of 2002 without an impact on our financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." FASB No. 4 required all gains or losses from extinguishments of debt to be classified as extraordinary items net of income taxes. SFAS No. 145 requires that gains and losses from extinguishments of debt be evaluated under the provisions of Accounting Principles Board Opinion No. 30, and be classified as ordinary items unless they are unusual or infrequent or meet the specific criteria for treatment as an extraordinary item. This statement is effective January 1, 2003. We do not anticipate that the adoption of this statement will have a material effect on our financial position or results of operations.

In July 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We do not anticipate that the adoption of this statement will have a material effect on our financial position or results of operations.

3. GOODWILL AND OTHER INTANGIBLE ASSETS

SFAS 142 applies to intangibles and goodwill acquired after June 30, 2001, as well as goodwill and intangibles previously acquired. Under SFAS 142, goodwill as well as other intangibles determined to have an indefinite life will no longer be amortized; however, these assets will be reviewed for impairment on a periodic basis. The Company adopted SFAS 142 on January 1, 2002, has completed its transitional impairment test, and has determined that no impairment of its goodwill balances exists. In addition, the Company has reassessed the useful lives of its identifiable intangible assets without any change to the previously established amortization periods of such assets.

The amortization expense and net income of JEI for the three and nine months ended September 30, 2001, are as follows:

	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2001
Reported net income	$ 1,346	$ 3,376
Add back: Goodwill amortization	101	228
Adjusted net income	$ 1,447	$ 3,604

4. LONG TERM DEBT

On February 8, 2002, JEI completed a $125,000 private placement of 11 7/8% Senior Secured Notes (the "Notes") due 2009, with interest payable on each February 1 and August 1, with payments beginning August 1, 2002. The Notes were issued at a 3.96% discount from their principal amount, resulting in a discount of $4,950, which is being amortized using the effective interest method over the expected life of the Notes. The proceeds of the Notes were primarily used to fund the acquisition of the common stock of the entities described in Note 5, and to refinance certain debt of these entities in connection with the acquisitions. The Notes are secured by the assets and stock of, and are guaranteed by, the acquired entities. JEI has no independent assets or operations, and the guarantees on the Notes are full and unconditional and joint and several.

Effective July 12, 2002, the Company entered into a $10,000 line of credit ("LOC") agreement with Foothill Capital Corporation, expiring July 12, 2007. The LOC bears interest at the prime rate published by Wells Fargo Bank, plus 1.75%. The LOC is collateralized by the land, buildings and related improvements of the Lodge and the Gilpin Hotel Casino, the company's Colorado casino properties. The security interests under the terms of the LOC are contractually senior to the security for the Notes.

5. ACQUISITIONS

On February 22, 2002, JEI simultaneously completed the acquisition of a 100% interest in entities in which Jacobs owned either a full, majority, or minority interest. The entities involved in the transaction and the accounting treatment for the components of the acquisitions are described below.

Diversified Opportunities Group Ltd. ("Diversified") and Jalou L.L.C. and Jalou II (collectively, "Jalou") – Jacobs contributed substantially all of their interests in Diversified and their 100% interest in Jalou II in exchange for 100% of the common stock of JEI. On the acquisition date, prior to the acquisition of the remaining shares of the entities described below, Diversified owned 100% of Jalou L.L.C., approximately 44% of Colonial Holdings, Inc. ("Colonial"), approximately 32% of Black Hawk Gaming & Development Company. Inc. ("Black Hawk"), and a 25% interest in the Lodge Casino at Black Hawk (the "Lodge"), located in Black Hawk, Colorado, of which the remaining 75% is owned by Black Hawk. The exchange of JEI shares for the interests of Diversified and Jalou II on February 22, 2002, was accounted for as a combination of entities under common control, which is similar to the pooling of interests method of accounting for business combinations. Accordingly, JEI's results from January 1, 2001, through February 22, 2002, include 44%, 32%, and 25% of the operations of Colonial, Black Hawk, and the Lodge, respectively, and 100% of the operations of these entities thereafter as a result of the acquisition of the remaining shares of these entities on February 22,

2002. Furthermore, the prior year financial statements of JEI reflect the pooled financial position, based on historical cost, and the results of operations of JEI, Diversified, and Jalou II as a result of the combination of entities under common control on February 22, 2002.

Jalou– Jalou owns and operates six truck plaza video gaming facilities, and receives a percentage of gaming revenue from an additional truck plaza video gaming facility in Louisiana. The ownership interest of Jalou LLC and Jalou II (collectively, "Jalou") and the acquisition dates for each property are as follows.

Jalou LLC – Houma Truck Plaza and Casino and an interest in the gaming revenues of Cash's Truck Plaza and Casino were acquired on February 7, 2001. Bayou Vista Truck Plaza and Casino and Lucky Magnolia Truck Stop and Casino were acquired on January 11, 2002, and Raceland Truck Plaza and Casino was acquired on February 22, 2002.

Jalou II – Winner's Choice Casino was acquired on February 7, 2001, and Colonels Truck Plaza and Casino was acquired on January 11, 2002.

These acquisitions were recorded using the purchase method of accounting for business combinations, and the total purchase price for these properties acquired in 2002 was approximately $20,282.

Colonial – Colonial owns and operates a horseracing track with three off-track wagering facilities, and leases and operates a fourth off-track wagering facility in Virginia. On February 22, 2002, JEI acquired the remaining 56% of Colonial's common stock for approximately $4,820, which was recorded using the purchase method of accounting for business combinations, and accordingly, 100% of Colonial's operations are included in JEI's results for the period subsequent to the acquisition date.

Black Hawk – Black Hawk owns a 75% interest in the Lodge and a 100% interest in both the Gilpin Hotel Casino and the Gold Dust West Casino, located in Black Hawk, Colorado, and Reno, Nevada, respectively. On February 22, 2002, JEI acquired the remaining 68% of Black Hawk's common stock for approximately $36,980 and assumed and refinanced approximately $59,950 of Black Hawk's outstanding debt. This transaction was recorded using the purchase method of accounting for business combinations, and accordingly, 100% of Black Hawk's operations are included in JEI's results for the period subsequent to the acquisition date.

Identifiable intangible assets resulting from these acquisitions are comprised of $6,000 in revenue rights associated with the acquisition of Cash's Truck Plaza and Casino, and $2,046 in device use rights associated with the acquisitions of Houma Truck Plaza and Casino, Bayou Vista Truck Plaza and Casino, Lucky Magnolia Truck Stop and Casino, Raceland Truck Plaza and Casino, Winner's Choice Casino and Colonels Truck Plaza and Casino. The revenue rights and the device use rights will be amortized over 50 years and 5 years, respectively, representing the initial terms of the related agreements. Goodwill resulting from the transactions is attributable to anticipated future cash flows associated with the acquired entities.

Assuming the transactions occurred at the beginning of each period presented, pro forma revenue and net income would have been as follows:

	Nine months ended September 30,	
	2002	2001
Net revenue	$ 128,021	$ 127,363
Net income	$ 4,107	$ 9,655

The pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisitions occurred at the beginning of each period presented. The September 30, 2002 pro forma results include non-recurring charges related to stock options, derivative termination, and write-off of unamortized debt issuance costs at Black Hawk of $3,165, $2,655, and $1,543, respectively.

6. SEGMENTS

As defined by SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", the following segment information is presented after the elimination of inter-segment transactions. JEI has four reportable segments (Colorado, Nevada, Colonial, and Jalou) representing the states in which we operate our casinos, and the subsidiaries in which we operate our pari-mutuel and truck plaza/video poker facilities, respectively. The Colorado operations consist of the Lodge and Gilpin casinos, and the Nevada operations consist of the Gold Dust West casino. The Colonial operations consist of the pari-mutuel operations and the Jalou operations consist of the truck plaza / video poker facilities. Each segment is managed separately because of the unique characteristics of geographic location, revenue stream, and customer base. The accounting policies of the segments are the same as those described in Note 2. The corporate operations represent all other revenues and expenses, and they are also shown.

Three Months Ended September 30, 2001
(Balance Sheet data as of December 31, 2001)
(Dollars In Thousands)

	Colorado	Nevada	Colonial	Jalou	Total
Revenues					
Gaming					
Truck stop	—	—	—	$ 1,739	$ 1,739
Pari-mutuel	—	—	$ 7,838	—	7,838
Food & beverage	—	—	370	184	554
Convenience store-Fuel	—	—	—	1,747	1,747
Convenience store-Other	—	—	—	282	282
Other	—	—	785	26	811
Total revenues	—	—	$ 8,993	$ 3,978	$ 12,971
Corporate adjustments and eliminations					403
Consolidated total revenues					$ 13,374
Operating Income	—	—	$ 20	$ 582	$ 602
Corporate adjustments and eliminations					403
Consolidated operating income					$ 1,005
Equity in earnings of investments	$ 1,007	$ 72	—	—	$ 1,079
Goodwill	—	—	—	$ 5,140	$ 5,140
Identifiable intangible assets	—	—	—	$ 6,447	$ 6,447
Total assets	$ 15,537	$ 4,906	$ 65,064	$ 19,151	$ 104,658
Corporate adjustments and eliminations					1,334
Consolidated total assets					$ 105,992

As of and for the Three Months Ended September 30, 2002
(Dollars In Thousands)

	Colorado	Nevada	Colonial	Jalou	Total
Revenues					

Gaming					
Casino	$ 21,018	$ 4,519	—	—	$ 25,537
Truck stop	—	—	—	$ 5,399	5,399
Pari-mutuel	—	—	$ 7,562	—	7,562
Food and beverage	2,061	749	549	636	3,995
Convenience store-Fuel	—	—	—	3,850	3,850
Convenience store-Other	—	—	—	861	861
Hotel	282	160	—	—	442
Other	147	19	440	86	692
Total revenues	23,508	5,447	8,551	10,832	48,338
Promotional allowance	(3,585)	(651)	—	—	(4,236)
Net revenues	$ 19,923	$ 4,796	$ 8,551	$ 10,832	$ 44,102
Operating income	$ 4,333	$ 1,066	$ (422)	$ 1,961	$ 6,938
Corporate adjustments and eliminations					(244)
Consolidated operating income					$ 6,694
Goodwill	$ 9,714	$ 15,035	—	$ 12,499	$ 37,248
Identifiable intangible assets	—	—	—	$ 7,616	$ 7,616
Total assets	$ 100,492	$ 33,022	$ 58,241	$ 41,950	$ 233,705
Corporate adjustments and eliminations					782
Consolidated total assets					$ 234,487

Nine Months Ended September 30, 2001
(Balance Sheet data as of December 31, 2001)
(Dollars In Thousands)

	Colorado	Nevada	Colonial	Jalou	Total
Revenues					
Gaming					
Truck stop	—	—	—	$ 4,645	$ 4,645
Pari-mutuel	—	—	$ 21,445	—	21,445
Food & beverage	—	—	962	458	1,420
Convenience store - Fuel	—	—	—	4,287	4,287
Convenience store - Other	—	—	—	690	690
Other	—	—	1,815	59	1,874
Total revenues	—	—	$ 24,222	$ 10,139	$ 34,361
Corporate adjustments and eliminations					1,144
Consolidated total revenues					$ 35,505
Operating Income	—	—	$ 680	$ 1,499	$ 2,179
Corporate adjustments and eliminations					1,144
Consolidated operating income					$ 3,323
Equity in earnings of investments	$ 2,146	$ 285	—	—	$ 2,431
Goodwill	—	—	—	$ 5,140	$ 5,140
Identifiable intangible assets	—	—	—	$ 6,447	$ 6,447
Total assets	$ 15,537	$ 4,906	$ 65,064	$ 19,151	$ 104,658
Corporate adjustments and eliminations					1,334
Consolidated total assets					$ 105,992

As of and for the Nine Months Ended September 30, 2002
(Dollars In Thousands)

	Colorado	Nevada	Colonial	Jalou	Total
Revenues					

Gaming					
Casino	$ 49,540	$ 10,755	—	—	$ 60,295
Truck stop	—	—	—	$ 15,969	15,969
Pari-mutuel	—	—	$ 21,310	—	21,310
Food and beverage	4,772	1,747	1,283	1,562	9,364
Convenience store - Fuel	—	—	—	10,552	10,552
Convenience store - Other	—	—	—	2,449	2,449
Hotel	611	332	—	—	943)
Other	366	47	1,129	216	1,758
Total revenues	55,289	12,881	23,722	30,748	122,640
Promotional allowance	(8,301)	(1,442)	—	—	(9,743)
Net revenues	$ 46,988	$ 11,439	$ 23,722	$ 30,748	$ 112,897
Operating income	$ 9,757	$ 2,540	$ (630)	$ 6,531	$ 18,198
Corporate adjustments and eliminations					(441)
Consolidated operating income					$ 17,757
Equity in loss of investments	$ (1,584)	$ (396)	—	—	$ (1,980)
Goodwill	$ 9,714	$ 15,035	—	$ 12,499	$ 37,248
Identifiable intangible assets	—	—	—	$ 7,616	$ 7,616
Total assets	$ 100,492	$ 33,022	$ 58,241	$ 41,950	$ 233,705
Corporate adjustments and eliminations					782
Consolidated total assets					234,487

7. SIGNIFICANT SUBSIDIARY INFORMATION

For the period prior to the acquisition of Black Hawk on February 22, 2002, the Company accounted for its 32% interest in Black Hawk and its 25% interest in the Lodge using the equity method. Condensed data for the three and nine-month periods ended September 30, 2001 is as follows:

	(In Thousands) Nine Months Ended September, 30 2001		(In Thousands) Three Months Ended September, 30 2001	
	Black Hawk	Lodge	Black Hawk	Lodge
REVENUES:				
Casino	$ 75,136	$ 45,730	$ 26,686	$ 16,211
Food and beverage	8,970	5,054	3,234	1,826
Hotel	1,076	721	405	272
Other	1,115	652	179	123
Total revenues	86,297	52,157	30,504	18,432
Promotional allowances	(12,704)	(7,903)	(4,503)	(2,812)
Net revenues	73,593	44,254	26,001	15,620
COSTS AND EXPENSES				
Casino	24,004	15,374	8,435	5,399
Food and beverage	7,967	4,534	2,838	1,611
Hotel	709	529	252	189
Marketing, general and administrative	23,147	12,780	8,033	4,451
Privatization and other non-recurring costs	1,266	—	151	—
Depreciation and amortization	5,725	2,949	1,964	996
Total costs and expenses	62,818	36,166	21,673	12,646
OPERATING INCOME	10,775	8,088	4,328	2,974
Interest income	145	77	31	19
Interest expense	(4,088)	(2,333)	(1,266)	(702)
INCOME BEFORE MINORITY INTEREST AND INCOME TAXES	6,832	5,832	3,093	2,291
MINORITY INTEREST	1,458	—	573	—
INCOME BEFORE INCOME TAXES	5,374	5,832	2,520	2,291
INCOME TAXES	2,365	—	974	—

NET INCOME	$ 3,009	$ 5,832	$ 1,546	$ 2,291

8. COMMITMENTS AND CONTINGENCIES

On May 25, 2001, a lawsuit was filed in The United States District Court for the District of Colorado (Case No. 01-D-0964) by Central City, several casino operators located in Central City and others against the City of Black Hawk, the Black Hawk Casino Owners Association and several casino operators located in the City of Black Hawk, including Black Hawk. The suit alleges that the defendants caused economic harm to the plaintiffs by engaging in a conspiracy and scheme to harm competition, restrain trade and monopolize the gaming industry in the Gilpin County, Colorado market in violation of federal and state constitutional, statutory and common law. Also, the complaint alleges that starting in 1996 the City of Black Hawk began interfering in Central City's plans to construct a road directly from Interstate 70 to Central City. The plaintiffs seek compensatory, treble and exemplary damages against the defendants in amounts to be proven at trial along with interest, costs and attorneys' fees. Black Hawk believes that this lawsuit is without merit and intends to contest it vigorously.

On June 25, 1999, a complaint against the Lodge and John Does 1-3 was filed by a casino operating downstream from these casinos. The complaint alleges, among other things, that the plaintiff is being damaged by subsurface water flows onto its property from the Lodge property and the properties of John Does 1-3. The Lodge has denied all liability and has turned the matter over to its insurance carrier for defense. The Lodge does not believe the suit has merit and will continue to defend against the allegations alleged by the plaintiff. The Lodge does not believe the suit will result in any material liability; however, no assurance can be given in this regard.

The Company is involved in routine litigation arising in the ordinary course of business. These matters are believed by the Company to be covered by appropriate insurance policies.

9. RELATED PARTY TRANSACTIONS

The Company provides monthly management and accounting services to truck stops owned by an affiliate. In addition, the affiliate purchases repair parts from the Company. Total charges to affiliate for management services and repair part purchases totaled $120 for the nine months ended September 30, 2002.

As of September 30, 2002, the Company had recorded a receivable of $75 from the affiliate for management services and repair part purchases. This amount was paid by the affiliate in November 2002.

In addition, the Company advanced $28 in early July 2002 to an affiliate, which was repaid in November 2002.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section discusses the results of our operations on a historical basis followed by a discussion of our results of operations on a "pro forma basis" beginning on page 22. The pro forma information is provided to present the results of our operations as though the business combinations described herein had been completed at the beginning of each period presented. You should read the following discussions and analyses in conjunction with the audited consolidated financial statements of the acquired entities as of December 31, 2001 included in our Form S-4 filing. Certain statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations constitute "forward-looking statements," which statements involve risks and uncertainties.

Historical information, other than revenues, may not necessarily be meaningful, as our cost structure, debt structure, capitalization, and the overall composition of our company following the transactions discussed herein and our Form S-4 filing have significantly changed. Further, the historical information should not necessarily be taken as a reliable indicator of our future performance due to the recent acquisitions.

Introduction

On February 22, 2002, we completed a merger transaction, which was primarily funded by the proceeds from the issuance of $125 million in senior secured notes on February 8, 2002. These notes bear an 11 7/8% interest rate and are due in 2009. The principal components of the merger transaction are as follows:

On February 22, 2002 Jeffrey P. Jacobs and The Richard E. Jacobs Revocable Trust contributed substantially all of their interests in Diversified Opportunities Group Ltd. ("Diversified") and their combined 100% interest in Jalou II in exchange for 100% of the common stock of JEI. On the acquisition date, immediately prior to the acquisition of the publicly held shares of Black Hawk Gaming & Development Company, Inc. ("BHWK") and Colonial Holdings, Inc. ("Colonial") described below, Diversified owned 100% of Jalou L.L.C., approximately 44% of Colonial, approximately 32% of BHWK, and a 25% interest in the Lodge Casino at Black Hawk ("the Lodge") (of which the remaining 75% was owned by BHWK). The exchange of JEI shares for the interests of Diversified and Jalou II was accounted for as a combination of entities under common control, which is similar to the pooling of interests method of accounting for business combinations. As a result, the results of operations of Diversified and Jalou II are presented in the JEI income statement as though this transaction had been completed at the beginning of each year presented.

The ownership interest of the Jalou entities and the acquisition dates for each property are as follows:

	Date acquired
Jalou, LLC:	
Houma Truck Plaza and Casino	February 7, 2001
Cash's Casino	February 7, 2001
Bayou Vista Truck Plaza and Casino	January 11, 2002
Lucky Magnolia Truck Stop and Casino	January 11, 2002
Raceland Truck Plaza and Casino	February 22, 2002

Jalou II:

Winner's Choice Casino	February 7, 2001
Colonel's Truck Plaza and Casino	January 11, 2002

These acquisitions were recorded using the purchase method of accounting for business combinations, and the total purchase price for the properties acquired in 2002 was approximately $20.3 million.

On February 22, 2002, JEI also acquired the remaining 56% of Colonial's common stock for approximately $4.8 million, which was recorded using the purchase method of accounting for business combinations. JEI also acquired the remaining 68% of BHWK's common stock for approximately $37.0 million on February 22, 2002. This transaction was recorded using the purchase method of accounting for business combinations. As a result, the operations of Colonial and BHWK are consolidated with JEI for the period subsequent to the February 22, 2002 acquisition date.

All of the Jalou property acquisitions completed prior to December 31, 2001, were accounted for using the purchase method of accounting. Accordingly, the results of Diversified and Jalou II for the year ended December 31, 2001 include the completed Louisiana acquisitions from the date of acquisition. We have described below the detail of the components of the operations of JEI for the periods presented.

As a result of this transaction, we are a geographically diversified gaming and pari-mutuel wagering company with properties in Colorado, Nevada, Louisiana and Virginia. We own and operate three land-based casinos, six truck plaza video gaming facilities and a horseracing track with three off-track wagering facilities. In addition, we are a party to an agreement that entitles us to a portion of the gaming revenue from an additional truck plaza video gaming facility and we lease and operate a fourth off-track wagering facility.

We have elected to be taxed under the provisions of Subchapter "S" of the Internal Revenue Code of 1986. Under those provisions, the owners of our company pay income taxes on our taxable income.

As a result of the acquisition and privatization of the entities described above at various times during the current nine month period ended September 30, 2002, we have experienced a number of changes during the nine month periods covered in these discussions, resulting in increases in the number of subsidiaries and investments as discussed above.

Comparison of the historical operations for the nine months ended September 30, 2002 to the nine months ended September 30, 2001

The following discussion presents an analysis of the historical results of our operations for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001.

For the nine months ended September 30, 2002 the consolidated statement of income of Jacobs Entertainment, Inc. consisted of the following:

a. The consolidated operations of Colonial for the period from January 1, 2002 through February 22, 2002, reduced by the 56% minority interest in earnings reflecting the earnings attributable to the common stock of Colonial not owned prior to the acquisition of the minority interest on February 22, 2002 (affiliates of JEI owned a controlling financial interest through a majority voting interest of over fifty percent of the outstanding voting shares of Colonial); plus

b. All of the operations of Colonial for the period from February 22, 2002 through September 30, 2002 because of the acquisition of the minority interest on February 22, 2002; plus

c. All of the operations of Jalou LLC attributable to Houma and an interest in the gaming revenues of Cash's for the entire nine months ended September 30, 2002; plus

d. All of the operations of Jalou II attributable to the Winner's Choice for the entire nine months ended September 30, 2002; plus

e. All of the operations of Jalou LLC attributable to Lucky Magnolia and Bayou Vista for the period from their January 11, 2002 acquisition date through September 30, 2002; plus

f. All of the operations of Jalou II attributable to Colonel's for the period from its January 11, 2002 acquisition date through September 30, 2002; plus

g. All of the operations of Jalou LLC attributable to Raceland from its February 22, 2002 acquisition date through September 30, 2002; plus

h. 25% of the equity in earnings of the Lodge for the period from January 1, 2002 through February 22, 2002; plus

i. 32% of the equity in earnings of BHWK for the period from January 1, 2002 through February 22, 2002; plus

j. 100% of the operations of BHWK (which includes the Lodge) for the period from February 22, 2002 through September 30, 2002 because of the acquisition of the remaining shares on February 22, 2002.

For the nine months ended September 30, 2001, the consolidated statement of income of JEI consisted of the following:

a. The consolidated operations of Colonial for the period from January 1, 2001 through September 30, 2001, reduced by the 56% minority interest in earnings reflecting the earnings attributable to the common stock of Colonial not owned prior to the acquisition of minority interest on February 22, 2002; plus

b. All of the operations of Jalou II attributable to Winner's Choice for the period from its February 7, 2001 acquisition date through September 30, 2001; plus

c. All of the operations of Jalou LLC attributable to Houma and an interest in the gaming revenues of Cash's for the period from their February 7, 2001 acquisition date to September 30, 2001; plus

d. 25% of the equity in earnings of the Lodge for the period from January 1, 2001 through September 30, 2001; plus

e. 32% of the equity in earnings of BHWK for the period from January 1, 2001 through September 30, 2001.

As illustrated by the differing entities and periods covered by the various transactions discussed above, a comparison between the nine-month periods on a historical basis is difficult.

A summary of our consolidated operating results for the three and nine months ended September 30, 2002 and 2001 is as follows:

	(In Thousands) Three Months Ended September 30,		(In Thousands) Nine Months Ended September 30,	
	2002	2001	2002	2001
Net revenue:				
Gaming-Casinos	$ 28,652	$ 1,739	$ 71,005	$ 4,645
Gaming-Pari-mutuel	7,562	7,838	21,310	21,445
Other	7,888	3,797	20,582	9,415
Total net revenue	$ 44,102	$ 13,374	$ 112,897	$ 35,505
Operating income	$ 6,694	$ 1,005	$ 17,757	$ 3,323
Interest expense	$ 4,940	$ 1,107	$ 13,237	$ 3,134
Equity in (loss) earnings of investments-Black Hawk and the Lodge	—	$ 1,079	$ (1,980)	$ 2,431
Minority interest in loss-Colonial	—	$ 369	$ 173	$ 756
Net income	$ 1,786	$ 1,346	$ 2,855	$ 3,376

The overall composition of our financial position and the results of our operations have significantly changed for the three and nine-month periods ended September 30, 2002 as compared to the three and nine-month periods ended September 30, 2001. The changes are primarily attributable to the following factors:

- The 2002 results include 100% of Colonial's operations for the period following the February 22, 2002 acquisition date plus 44% of the operations prior to that date in 2002, due to the 56% minority interest (which existed until the February 22, 2002 acquisition date), whereas the comparable 2001 period includes 44% of Colonial's operations for the entire period. We will no longer record minority interest for the results of operations subsequent to February 22, 2002 because we own 100% of Colonial as of that date. The comparability of pari-mutuel revenues is not impacted by the acquisition of stock from the minority shareholders because Colonial's results were also consolidated in 2001. Furthermore, the decrease in our three month ended September 30, 2002 pari-mutuel revenue from the three month period ended September 30, 2001 is due primarily to the 2002 thoroughbred meet opening in June 2002 while the 2001 thoroughbred meet opened in July 2001.

- The 2002 results include 100% of BHWK's revenues for the period from the February 22, 2002 acquisition date through September 30, 2002 whereas BHWK's and the Lodge's results were included as a component of equity in (loss) earnings of investments for periods prior to February 22, 2002. We will no longer record "equity in (loss) earnings of investments" relative to BHWK and the Lodge because we now own 100% of BHWK, which includes the Lodge. Our equity in earnings of investments went from approximately $2.4 million in earnings for the nine months ended September 30, 2001 to a $2.0 million loss for the current nine-month period. This is primarily the result of the write off of various costs and expenses of BHWK relating to our acquisition of remaining shares on February 22, 2002. See Note 5 in the accompanying notes to the unaudited consolidated financial statements for a description of these costs.

- In addition to gaming revenue for BHWK for the period described above, the 2002 results for gaming revenue also include video poker revenue for the periods indicated from all 7 truck stops locations, whereas the 2001 results include only 3 locations due to the timing of the truck stop acquisitions described above.

- Other revenue in 2001 is primarily comprised of sales from our convenience store, fuel and restaurant operations located in the three truck stop facilities that we owned in 2001. Other revenue in 2002 consists of similar revenues from 4 additional truck stops that we acquired early in 2002, food and beverage revenues from our casinos subsequent to February 22, 2002, and revenue from our two hotels attached to the Lodge and Gold Dust West subsequent to February 22, 2002 (recall that all casino operations were included as a component of equity in (loss) earnings for periods prior to the February 22, 2002 acquisition date); and

- Interest expense in 2002 includes charges related to our $125.0 million debt offering which occurred on February 8, 2002, whereas the 2001 results do not.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We periodically evaluate our policies and the estimates and assumptions related to these policies. All of our subsidiary companies operate in a highly regulated industry. In our Colorado, Virginia, Louisiana and Nevada operations, we are subject to regulations that describe and regulate operating and internal control procedures. The majority of our casino revenue is in the form of cash, personal checks, credit cards or gaming chips and tokens, which by their nature do not require complex estimations. We estimate certain liabilities with payment periods that extend for longer than several months. Such estimates include our slot club liabilities, outstanding gaming chip, token and pari-mutuel ticket liability, self-insured medical and workers compensation liabilities, and litigation costs. We believe that these estimates are reasonable based on our past experience with the business and based upon our assumptions related to possible outcomes in the future. Future actual results will likely differ from these estimates.

Long-lived Assets

We have determined that the policy associated with our long-lived assets, goodwill and identifiable intangible assets, and related estimates are critical to the preparation of our consolidated financial statements. We have a significant investment in long-lived property and equipment. We estimate that the undiscounted future cash flow expected to result from the use of these assets exceed the current carrying value of these assets. Any adverse change to the estimate of these undiscounted cash flows could necessitate an impairment charge that would adversely affect operating results. We estimate the useful lives for our assets based on historical experience, estimates of assets' commercial lives, and the likelihood of technological obsolescence. Should the actual useful life of a class of assets differ from the estimated useful life, we would record an impairment charge. We review useful lives and obsolescence and assess commercial viability of our assets periodically.

Liquidity and Capital Resources

On February 22, 2002 we completed the sale of $125 million of our senior secured notes. Our notes are due 2009 and we pay annual interest at the rate of 11 7/8 % on a semi-annual basis. The notes were offered at 96.04 of par and we received net proceeds at closing of $120.05 million. We utilized the proceeds of the Notes plus cash from our combined companies of approximately $8.0 million to acquire the remaining shares of BHWK for approximately $37.0 million (which includes $3.1 million for the buyout of all outstanding options at February 22, 2002), assume and refinance BHWK's existing reducing revolving credit facility totaling approximately $60.0 million and pay BHWK's interest rate swap breakage costs of $1.1 million (net of tax benefit) on the acquisition date; acquire the remaining shares of Colonial for $4.8 million; pay the cash portion of the purchase price for the Louisiana truck plazas of $14.5 million; pay accrued interest, advances and other payables to affiliates of $3.2 million; and pay remaining transaction fees and expenses incurred subsequent to December 31, 2001, totaling an estimated $2.4 million. In addition, we issued $5.8 million of promissory notes to the sellers of the Louisiana truck plazas we acquired.

At September 30, 2002, after giving effect to the recent acquisitions, cash and cash equivalents are approximately $15.7 million. Our total debt approximates $149.6 million.

We entered into a new $10 million senior credit facility on July 12, 2002. The trustee under the indenture entered into an intercreditor agreement with the lender under the new credit facility, which, among other things, subordinated some of the liens securing the senior secured notes and the guarantees to the indebtedness under the new credit facility with respect to a portion of the assets securing the new credit facility. The new senior credit facility carries an interest rate of 1.75% above the prime rate and expires in July 2007.

Our future liquidity, which includes our ability to make semi-annual interest payments, depends upon the future success of the overall Company. Additionally, our ability to successfully integrate our operations is a significant factor in the overall generation of our cash flows from operations.

At present, we do not have any off-balance sheet financing arrangements or transactions with unconsolidated, limited purpose entities nor are any contemplated in the future.

We believe that our cash flow from operations, cash and cash equivalents and our senior $10 million credit facility discussed above will be adequate to meet our debt service obligations as well as our capital expenditure requirements for the next twelve months. However, we can give no assurance that these sources of cash will be sufficient to enable us to do so. Further, in addition to our normal capital expenditure requirements, we began a $6.0 million expansion of the Gilpin in the third quarter of this year, and we anticipate that we will pursue the acquisition of other properties and engage in new development opportunities. We believe we will be able to pay for the expansion project of the Gilpin out of our existing cash flow over the nine-month estimated construction time of the addition. However, we may need to enter into new financing arrangements and raise additional capital in the future if we are unable to sustain our current operations. Our ability to incur additional debt is further restricted by the terms and covenants of our senior secured notes. We can give no assurance that we will be able to raise capital or obtain the necessary sources of liquidity and financing on favorable terms, if at all. Additionally, any debt financing that we may incur in the future will increase the amount of our total outstanding indebtedness and our debt service requirements, and heighten the related risks we currently face.

We also face the risk that there could be a decline in the demand for our products and services, which would reduce our ability to generate funds from operations. While we believe our cash flows are geographically diverse, at present we do have a significant concentration of cash flows generated in the Black Hawk gaming market. Should the Black Hawk market decline or become saturated or should the competition erode our market share, we would suffer a decline in the available funds generated from operations. If this were to occur, there exists the possibility that our credit rating could be downgraded, which would further reduce our ability to access the capital markets and obtain additional or alternative financing.

The following table provides disclosure concerning JEI's obligations and commitments to make future payments under contracts, such as debt and lease agreements, and purchase and other long-term obligations as of September 30, 2002.

(In Thousands)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-Term Debt (1)	$ 149,339	$ 2,230	$ 5,580	$ 3,066	$ 138,463
Operating Leases (2)	12,531	1,461	940	630	9,500
Other Long-Term Obligations (3)	5,440	476	952	952	3,060
Total Contractual Cash Obligations	$ 167,310	$ 4,167	$ 7,472	$ 4,648	$ 151,023

(1) Long-term debt includes amounts owing under the terms of the Notes, the Black Hawk special assessment bonds, indebtedness of Colonial Holdings, the existing and new Louisiana Properties' seller notes, and the subordinated debt to affiliate.

(2) Operating leases include a land and warehouse lease for the Gold Dust in Reno, Nevada, as well as other leases for property and equipment.

(3) Other long-term obligations include the commitment of the Company's truck stop operations to pay $1 per video poker machine per day, plus $1,000 per machine annually in licensing to an outside party to maintain its video poker machines in its truck stop premises. Other long-term obligations also include amounts payable under employment contracts described in the Company's Form S-4 for the year ended December 31, 2001, filed with the U.S. Securities Exchange Commission.

In addition, JEI has the following commitments and obligations:

- JEI, through its subsidiary Colonial, has entered into an agreement with a totalisator company, which provides wagering services and designs, programs, and manufactures totalisator systems for use in wagering applications. The basic terms of the agreement state that the totalisator company shall provide totalisator services to Colonial for all wagering held at Colonial's facilities through 2004 at a rate of .365% of handle. In addition, Colonial agreed to use certain equipment provided by the totalisator company.

- JEI, through the Lucky Magnolia, has an obligation to pay 4.9% of its net video poker revenue, after associated state taxes, for as long as video poker machines are operated on the property.

Pro Forma Results of Operations

The following pro forma information is provided to present the results of operations as though the business combinations described above had been completed at the beginning of each of the nine months ended September 30, 2002 and September 30, 2001. The information presented is by each state in which we now have operations and presents our EBITDA by each business segment because this is how management reviews and analyzes the results of operations of each of our properties. EBITDA (earnings before interest, taxes, depreciation, amortization, privatization and other non-recurring costs) is presented as a supplement in the tables below and in the discussion of our operating results. EBITDA can be computed directly from our consolidated statements of income by adding the amounts shown for (1) depreciation and amortization and (2) privatization and other non-recurring costs to operating income. This information should not be considered as an alternative to any measure of performance as promulgated under accounting principles generally accepted in the United States of America, such as operating income or net (loss) income, nor should it be considered as an indicator of our overall financial performance. Our calculation of EBITDA may be different from the calculation used by other companies and comparability may be limited. The components of operations presented below differ from the analysis provided above for actual results as the composition of the company has changed due to the transactions occurring during the first quarter of 2002. The following presentations reflect 100% of the operations for all entities for the respective nine-month periods and, therefore, management believes this represents the most appropriate method of presenting the true operating performance capabilities of the combined operations of the entities involved.

	(In Thousands) Nine Months Ended September 30,	
	2002	2001
PRO FORMA NET REVENUE		
Colorado	$ 58,205	$ 59,817
Nevada	14,192	13,775
Louisiana	31,902	29,987
Virginia	23,722	23,784
Total net revenue	$ 128,021	$ 127,363
PRO FORMA COSTS AND EXPENSES		
Colorado	$ 40,732	$ 42,913
Nevada	10,269	10,105
Louisiana	23,849	23,842
Virginia	21,267	20,309
Net corporate overhead	4,339	3,300
Total costs and expenses	$ 100,456	$ 100,469
PRO FORMA ADJUSTED EBITDA		
Colorado	$ 17,473	$ 16,904
Nevada	3,923	3,670
Louisiana	8,053	6,145
Virginia	2,455	3,475
Net corporate overhead	(4,339)	(3,300)
EBITDA	$ 27,565	$ 26,894

We continually review the overall operational aspects of our casino operations and attempt to modify our operations, when and if necessary, to remain competitive and to maintain our market share. We focus on our existing customer base while developing marketing programs that increase new customer visits. Our vision is to be the best "locals casino" in each market by offering the best customer service, slot selection, player club benefits, and food and beverage service in the market.

Our casino revenues are generated from our three land-based casino properties. BHWK's consolidated casino revenues are generally defined as the "casino win" which is the amount of money wagered less the amount paid out in prizes. BHWK's consolidated net revenue is generally defined as casino win reduced by various promotional allowances and incentive programs that we offer to patrons and includes revenues from food and beverage, hotel and other revenues. We utilize the food and beverage department of each of our properties to drive revenues by offering a wide selection of high quality food choices at reasonable prices. Additionally, we have 50 hotel rooms at the Lodge and 106 hotel rooms at our Reno property, which we can offer to players, thereby enhancing their visit to the Black Hawk and Reno areas, respectively.

Colorado

After giving effect to the transactions discussed above, JEI owns 100% of BHWK. BHWK owns the Gilpin Hotel Casino and the Lodge, which are located in Black Hawk, Colorado, and the Gold Dust West, Inc. ("Gold Dust"), which is located in Reno, Nevada. Generally, the acquisition by JEI of all of the capital stock of BHWK as of February 22, 2002 does not affect the comparability of the pro forma operations of BHWK. The following discussion pertains to the results of operations of the Lodge and Gilpin properties.

A summary of the net revenue, costs and expenses and EBITDA of our Colorado properties is as follows:

	(In Thousands) Nine Months Ended September 30,	
	2002	2001
Net revenues		
Lodge	$ 44,641	$ 44,254
Gilpin	13,564	15,563
Total net revenues	$ 58,205	$ 59,817
Costs and expenses		
Lodge	30,257	30,928
Gilpin	10,475	11,985
Total costs and expenses	40,732	42,913
EBITDA		
Lodge	14,384	13,326
Gilpin	3,089	3,578
EBITDA	$ 17,473	$ 16,904

Increased Competition in the Black Hawk Market

On February 4, 2000 a casino opened in Black Hawk with approximately 950 devices and a 550-car valet/self-parking garage. A second casino opened next door to The Lodge on March 6, 2000 with approximately 600 devices and parking for 500 cars. A third project opened on December 20, 2001 with approximately 1,300 devices and parking for 850 cars. Based upon the level of development activity in Black Hawk, it is apparent that increased competition within this market will continue.

Overall, the new casinos seem to have expanded Black Hawk's gaming market; however, it is extremely difficult to accurately predict the extent of the future growth of this market. We expect some of our previous and existing market share has been lost to increased competition. We believe that the competition within this market will continue to increase and intensify. As a result, our marketing costs, our personnel costs and other costs at our properties will likely increase while we attempt to maintain our market share.

Pro Forma Results of operations for the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001

Net Revenues. The decrease in net revenues of our Colorado operations is attributable to the Gilpin and its reduced share of the Black Hawk market partially offset by an increase in net revenues at the Lodge, which has participated in a market shift toward larger gaming facilities within Black Hawk. The Gilpin's operations have been most noticeably impacted due to the additional competition in Black Hawk, which also includes the Lodge. We are currently engaged in an approximate $6.0 million expansion for the Gilpin, which commenced during the third quarter of 2002. We believe this expansion will provide a more competitive single floor casino environment and enable us to more effectively compete with the newer and larger properties in the market.

Costs and Expenses. Total costs and expenses associated with our Colorado operations decreased $2.2 million for the nine months ended September 30, 2002 compared to the same period of 2001. The decrease of $0.7 million in costs and expenses attributable to the Lodge was primarily comprised of reductions in labor and slot participation costs offset by an increase in gaming tax. The decrease of $1.5 million in costs and expenses attributable to the Gilpin was primarily comprised of reductions in labor, slot participation, gaming taxes, food and beverage cost of goods sold, and direct marketing costs.

Nevada

Pro Forma Results of operations for the nine months ended September 30, 2002, compared to the nine months ended September 30, 2001

As previously discussed, our Nevada operations consist of the Gold Dust, located in Reno, Nevada. The Gold Dust was acquired by BHWK on January 5, 2001. The property has 106 hotel rooms, which we offer to players, thereby enhancing their visit to the Reno area. The net revenues of the Gold Dust increased by $.4 million for the current nine-month period over the comparable period of 2001. In September of 2001 we completed the installation of our slot player tracking system and we have been actively enrolling members into our slot players club. We believe this effort is beginning to increase play from our customers and accounts for the increase in our net revenues during the current quarter. Our costs and expenses increased by approximately $.2 million for the current nine-month period compared to the comparable period of last year. This increase is primarily due to an increase in employee costs associated with the creation of the casino's slot player club. As a result, our adjusted EBITDA at the Gold Dust for the first nine months of 2002 and 2001 is $3.9 million and $3.7 million respectively.

Louisiana

The Louisiana truck plaza video gaming properties consist of six truck plaza gaming facilities located in Louisiana and a share in the gaming revenues of an additional truck plaza. The acquisition dates of each of the respective truck stops are discussed previously.

Each truck plaza features a convenience store, fueling operations, a 24-hour restaurant and 50 video gaming devices (except for Lucky Magnolia Truck Stop and Casino and Raceland Truck Plaza and Casino, which have 40 and 44 video gaming devices, respectively).

The Louisiana truck plazas' revenues are comprised of (i) revenue from video poker gaming machines; (ii) sales of gasoline and diesel fuel; (iii) sales of groceries, trucker supplies and sundry items through their convenience stores; (iv) sales of food and beverages in their restaurants and bars; and (v) miscellaneous commissions on ATMs, pay phones and lottery sales.

All video poker activity is reported instantaneously via a computer phone line directly to the Louisiana State Police. The Louisiana truck plazas' revenues are heavily dependent on meeting the minimum gallons of fuel sales requirements necessary to operate video poker gaming machines in Louisiana. These requirements must be complied with on a quarterly basis. In the event of noncompliance, the Louisiana State Police must turn off a portion of the video poker machines. The Louisiana truck plazas believe that they will continue to meet the fuel sales requirements necessary to operate video poker gaming machines in Louisiana at current levels.

Pro Forma Results of operations for the nine months ended September 30, 2002, compared to the nine months ended September 30, 2001

Net revenues. The Louisiana truck plazas generated net revenues of $31.9 million for the nine months ended September 30, 2002 compared to $30.0 million for the nine months ended September 30, 2001. This increase is due to the commencement of gaming operations of Raceland, and the increased gaming revenue at Houma, Cash's and Colonel's.

Costs and Expenses. The Louisiana truck plazas' costs and expenses were $23.8 million for the nine months ended September 30, 2002 and 2001 respectively.

Earnings Before Interest, Taxes, Depreciation and Amortization. The Louisiana truck plazas adjusted EBITDA was $8.1 million for the nine months ended September 30, 2002 compared to $6.2 million for the same period in 2001, resulting in an increase in EBITDA of $1.9 million. This increase is due to the increase in revenues as discussed above.

Virginia

Colonial Holdings' revenues are comprised of (i) pari-mutuel commissions from wagering on races broadcast from out-of-state racetracks to Colonial's off-track wagering facilities and the track using import simulcasting; (ii) wagering at the track and Colonial's off-track wagering facilities on its live races; (iii) admission fees, program and racing form sales, and certain other ancillary activities; and (iv) net income from food and beverage sales and concessions.

Colonial's revenues are heavily dependent on the operations of its off-track wagering facilities. Revenues from the off-track wagering facilities help support live racing at the track. The amount of revenue Colonial earns from each wager depends on where the race is run and where the wagering takes place. Revenues from import simulcasting of out-of-state races and from wagering at the track and at the off-track wagering facilities on races run at the track consist of the total amount wagered at Colonial's facilities, less the amount paid as winning wagers. The percentage of each dollar wagered on horse races that must be returned to the public as winning wagers (typically about 79%) is legislated by the state in which a race takes place. Revenues from export simulcasting consists of amounts payable to Colonial by the out-of-state racetracks and their simulcast facilities with respect to wagering on races run at the track.

Pro Forma Results of Operations for the nine months ended September 30, 2002, compared to the nine months ended September 30, 2001

Total Revenues. Colonial generated net revenues for the nine months ended September 30, 2002 of $23.7 million compared to $23.8 million for the same period of 2001. The decrease of total revenues of $.1 million, or 1%, is due primarily to the 2002 thoroughbred meet starting in June 2002 as compared to the meet starting in July 2001.

Costs and expenses. Colonial's direct operating costs and expenses were $21.3 million for the nine months ended September 30, 2002 compared to $20.3 million for the same period of 2001. Costs and expenses increased $1 million, or 5%, for the nine months ended September 30, 2002 from the same period of 2001. The cost increases were primarily due to expenses associated with the 2002 thoroughbred meet.

Earnings Before Interest, Taxes, Depreciation and Amortization. Colonial's adjusted EBITDA was $2.5 million for the nine months ended September 30, 2002 compared to $3.5 million for the same period in 2001, resulting in a decrease in EBITDA of $1 million. The decrease in EBITDA was due primarily to the increased costs associated with the 2002 thoroughbred meet.

Net Corporate Overhead

Generally, our corporate operations are not a profit center, but rather a cost center that directs the overall managerial, operational and administrative aspects of the Company.

Costs and expenses totaled $4.3 million for the nine months ended September 30, 2002 compared to $3.3 million for the same period of 2001. The approximate $1 million increase during the current nine months ended September 30, 2002 is generally due to a non-recurring increase in licensing costs of $.1 million; incremental costs and expenses incurred in pursuing additional opportunities approximating $.150 million; an increase in travel and airplane costs of approximately $.225 million and a recurring increase of approximately 15% in overall costs and expenses.

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, and commodity prices. On February 8, 2002 we issued $125.0 million in 11 7/8 % senior secured notes due in 2009. The proceeds of these notes were used to finance our recent acquisitions and for working capital purposes. All debt currently bears interest at a fixed rate, except our $10,000,000 line of credit (which currently has no amounts outstanding), which bears interest at 1.75% above the prime rate published by Wells Fargo Bank, N.A.

We currently do not invest in derivative financial instruments, interest rate swaps or other similar investments to alter interest rate exposure

Item 4. Controls and Procedures.

As of September 30, 2002, an evaluation was performed under the supervision and with the participation of Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2002. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to September 30, 2002.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On May 25, 2001, a lawsuit was filed in The United States District Court for the District of Colorado (Case No. 01-D-0964) by Central City, several casino operators located in Central City and others against the City of Black Hawk, the Black Hawk Casino Owners Association and several casino operators located in the City of Black Hawk, including Black Hawk. The suit alleges that the defendants caused economic harm to the plaintiffs by engaging in a conspiracy and scheme to harm competition, restrain trade and monopolize the gaming industry in the Gilpin County, Colorado market in violation of federal and state constitutional, statutory and common law. Also, the complaint alleges that starting in 1996 the City of Black Hawk began interfering in Central City's plans to construct a road directly from Interstate 70 to Central City. The plaintiffs seek compensatory, treble and exemplary damages against the defendants in amounts to be proven at trial along with interest, costs and attorneys' fees. Black Hawk believes that this lawsuit is without merit and intends to contest it vigorously.

On June 25, 1999, a complaint against the Lodge and John Does 1-3 was filed by a casino operating downstream from these casinos. The complaint alleges, among other things, that the plaintiff is being damaged by subsurface water flows onto its property from the Lodge property and the properties of John Does 1-3. The Lodge has denied all liability and has turned the matter over to its insurance carrier for defense. The Lodge does not believe the suit has merit and will continue to defend against the allegations alleged by the plaintiff. The Lodge does not believe the suit will result in any material liability; however, no assurance can be given in this regard.

The Company is involved in routine litigation arising in the ordinary course of business. These matters are believed by the Company to be covered by appropriate insurance policies.

Item 2. Changes in Securities

None

Item 3. **Defaults Upon Senior Securities**

None

Item 4. **Submission of Matters to a Vote of Security Holders**

Not Applicable

Item 5. **Other Information**

None

Item 6. **Exhibits and Reports on Form 8-K**

(a) Exhibits

*3.1	Certificate of Incorporation of Gameco, Inc.
*3.2	By-Laws of Gameco, Inc.
+3.3	Amendment to the Certificate of Incorporation of Gameco, Inc.
+4.1	Loan and Security Agreement dated July 12, 2002 by and among Jacobs Entertainment, Inc., certain subsidiaries and Foothill Capital Corporation.
+4.2	Promissory Note dated July 12, 2002 by and among Jacobs Entertainment, Inc., certain borrowers and Foothill Capital Corporation.
+4.3	Guaranty of Gold Dust West Casino, Inc. and Diversified Opportunities Group Ltd. dated July 12, 2002.
+4.4	Intercreditor Agreement dated July 12, 2002 by and between Wells Fargo Bank Minnesota, National Association and Foothill Capital Corporation
+4.5	Memorandum of Intercreditor Agreement dated July 12, 2002 by and among Foothill Capital Corporation, Wells Fargo Bank Minnesota, National Association and Borrowers.
+4.6	Fee and Leasehold Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing by Black Hawk Gaming & Development Company, Inc., Black Hawk/Jacobs Entertainment, LLC, and Gilpin Hotel Venture to the Public Trustee of Gilpin County, State of Colorado and Foothill Capital Corporation, dated July 12, 2002.
*21.1	Subsidiaries of Jacobs Entertainment, Inc.
99.1	Significant guarantor information.

* Incorporated herein by reference from our registration statement on Form S-4 (SEC Registration No. 333-88242), Part II, Item 21, filed on May 14, 2002.

\+ Incorporated herein by reference from Amendment No. 1 of our registration statement on Form S-4 (SEC Registration No. 333-88242), Part II, Item 21, filed on August 8, 2002.

(b) No reports on Form 8-K were filed during the reporting period.

CERTIFICATIONS

I, Stephen R. Roark, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jacobs Entertainment, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   d. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   e. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ STEPHEN R. ROARK

Stephen R. Roark, Chief Financial Officer

CERTIFICATIONS

I, Jeffrey P. Jacobs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jacobs Entertainment, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ JEFFREY P. JACOBS

Jeffrey P. Jacobs, Chief Executive Officer and Chairman of the Board of Directors

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Jacobs Entertainment, Inc.

Registrant

Date: November 13, 2002

By: /s/ JEFFREY P. JACOBS

Jeffrey P. Jacobs, Chief Executive Officer and Chairman of the Board of Directors

/s/ STEPHEN R. ROARK

Stephen R. Roark, Chief Financial Officer

EXHIBIT 99.1

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

Index

September 30, 2002

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

UNAUDITED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2002 AND DECEMBER 31, 2001
(Dollars In Thousands)

	September 30, 2002	December 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,001	$ 15,677
Prepaid expenses and other assets	2,227	2,727
Total current assets	13,228	18,404
LAND	18,950	18,974
GAMING FACILITIES:		
Building and improvements	60,684	63,573
Equipment	18,589	24,766
Accumulated depreciation	(11,922)	(19,032)
Total gaming facilities	67,351	69,307
OTHER ASSETS:		
Goodwill	24,750	19,016
Other assets	9,235	3,993
TOTAL	$ 133,514	$ 129,694
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 9,867	$ 10,328
Due to parent	588	
Current portion of long-term debt	400	387
Total current liabilities	10,855	10,715
LONG-TERM DEBT AND OTHER LIABILITIES		
Long Term Debt	95,783	58,800
BID Bonds payable	4,708	4,912
Total long-term debt	100,491	63,712
Interest rate swap liability		1,911
Deferred tax liability		702

Total liabilities	111,346	77,040
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	8,829	7,413
STOCKHOLDERS' EQUITY:		
Preferred stock; $001 par value; 10,000,000 shares authorized; none issued and *outstanding*		
Common stock; $.001 par value; 40,000,000 shares authorized;4,155,150 and 4,154,400 shares issued and outstanding, respectively	4	4
Additional paid-in capital	4,170	18,753
Accumulated other comprehensive loss		(1,173)
Retained earnings	9,165	27,657
Total stockholders' equity	13,339	45,241
TOTAL	$ 133,514	$ 129,694

See notes to unaudited consolidated financial statements

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(Dollars In Thousands)

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001
REVENUES:		
Casino	$ 25,538	$ 26,686
Food and beverage	2,810	3,234
Hotel	442	405
Other	165	179
Total revenues	28,955	30,504
Promotional allowances	(4,236)	(4,503)
Net revenues	24,719	26,001
COSTS AND EXPENSES:		
Casino	7,981	8,435
Food and beverage	2,488	2,838
Hotel	284	252
Marketing, general and administrative	6,989	8,033
Privatization and other non-recurring costs		151
Depreciation and amortization	1,578	1,964
Total costs and expenses	19,320	21,673
OPERATING INCOME	5,399	4,328
Interest income	8	31
Interest expense	(3,385)	(1,266)
INCOME BEFORE MINORITY INTEREST AND INCOME TAXES	2,022	3,093
MINORITY INTEREST	734	573
INCOME BEFORE INCOME TAXES	1,288	2,520
INCOME TAXES		974

NET INCOME	$ 1,288	$ 1,546

See notes to unaudited consolidated financial statements

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS FROM JANUARY 1, 2002 THROUGH FEBRUARY 22, 2002, AND FEBRUARY 23, 2002 THROUGH SEPTEMBER 30, 2002, AND THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(Dollars In Thousands)

	Period From January 1, 2002 *Through* February 22, 2002	Period From February 23, 2002 *Through* September 30, 2002	Nine Months Ended September 30, 2001
REVENUES:			
Casino	$ 14,523	$ 60,295	$ 75,136
Food and beverage	1,624	6,519	8,970
Hotel	189	944	1,076
Other	96	412	1,115
Total revenues	16,432	68,170	86,297
Promotional allowances	(2,462)	(9,743)	(12,704)
Net revenues	13,970	58,427	73,593
COSTS AND EXPENSES:			
Casino	4,333	18,889	24,004
Food and beverage	1,512	5,909	7,967
Hotel	130	636	709
Marketing, general and administrative	4,778	16,941	23,147
Privatization and other non-recurring costs	3,882	—	1,266
Depreciation and amortization	2,510	3,730	5,725
Total costs and expenses	17,145	46,105	62,818
OPERATING (LOSS) INCOME	(3,175)	12,322	10,775
Interest income	13	22	145
Other income	119	—	—
Interest expense	(2,881)	(8,551)	(4,088)
(LOSS) INCOME BEFORE MINORITY INTEREST AND INCOME TAXES	(5,924)	3,793	6,832
MINORITY INTEREST	(127)	1,607	1,458

(LOSS) INCOME BEFORE INCOME TAXES	(5,797)	2,186	5,374
INCOME TAXES	—	—	2,365
NET (LOSS) INCOME	$ (5,797)	$ 2,186	$ 3,009

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(IN THOUSANDS)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCES, JANUARY 1, 2002	4,154	$ 4	$ 18,753	$ 27,657	$ (1,173)	$ 45,241
Stock options exercised			6			6
Push down of JEI basis:						
Elimination of retained earnings applicable to shares acquired on February 22, 2002			14,882	(14,882)		
Effect of recording goodwill and debt resulting from the February 22, 2002 acquisition			(29,471)			(29,471)
Comprehensive loss:						
Realized loss on interest rate swap					1,173	1,173
Net loss				(3,611)		(3,611)
Total comprehensive loss						(2,438)
BALANCES, SEPTEMBER 30, 2002	4,154	$ 4	$ 4,170	$ 9,164	$ —	$ 13,338

See notes to unaudited consolidated financial statements

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS FROM JANUARY 1, 2002 THROUGH FEBRUARY 22, 2002, AND FEBRUARY 23, 2002 THROUGH SEPTEMBER 30, 2002, AND THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(Dollars In Thousands)

	Period From January 1, 2002 Through February 22, 2002	Period From February 23, 2002 Through September 30, 2002	Nine Months Ended September 30, 2001
OPERATING ACTIVITIES:			
Net (loss) income	$ (5,797)	2,186	$ 3,009
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	2,510	3,730	5,725
Change in fair value of interest rate swap, net	—	—	136
(Gain) Loss on sale of land	(119)	21	113
Minority interest	(127)	1,607	1,458
Deferred Taxes	(75)	—	—
Due to parent	—	(6,671)	—
Changes in operating assets and liabilities, net of the effects of acquisition:			
Prepaid expenses and other assets	1,805	(1,248)	(652)
Accounts payable and accrued expenses	(1,339)	876	176
Net cash (used in) provided by operating activities	(3,142)	501	9,965
INVESTING ACTIVITIES:			
Proceeds from sale of equipment	—	226	73
Equipment purchases and additions to gaming facilities	(340)	(1,815)	(3,075)
Proceeds from sale of land	142	—	—
Acquisition costs related to Gold Dust West	—	—	(2)
Acquisition of the *Gold Dust West, net of cash acquired*	—	—	(26,000)
Net cash used in investing activities	(198)	(1,589)	(29,004)
FINANCING ACTIVITIES:			
Proceeds from reducing and revolving credit facility	—	—	36,500
Payments on bonds	—	(190)	(178)
Payments on long term debt and note payable	—	—	(8,021)
Payments to amend reducing and revolving credit facility	—	—	(571)
Distributions to minority interest owner	—	(64)	(2,956)
Exercise of stock options	6	—	60
Net cash provided by financing activities	6	(254)	24,834

NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	$	(3,334)	$	(1,342)	$	5,795
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		15,677		12,343		8,518
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	12,343	$	11,001	$	14,313
SUPPLEMENTAL CASH FLOW INFORMATION:						
Cash paid for interest	$	524	$	6,312	$	2,685
Cash paid for taxes	$	470	$	—	$	1,168
Non-cash financing	$	95,783	$	—	$	—

See notes to unaudited consolidated financial statements

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(DOLLARS IN THOUSANDS)

1. BUSINESS AND ORGANIZATION

Black Hawk Gaming & Development Company, Inc. ("Black Hawk") was incorporated on January 10, 1991. Black Hawk is a holding company that owns, develops and operates gaming properties. Currently Black Hawk operates the Gilpin Hotel Casino ("GHC") and The Lodge Casino at Black Hawk ("the Lodge"), both located in Black Hawk, Colorado, and The Gold Dust West Casino ("GDW") located in Reno, Nevada.

GHC is a 37,000 square foot facility located in the Black Hawk gaming district and was Black Hawk's first casino project. Originally built in the 1860's, the Gilpin Hotel was one of the oldest in Colorado; however, due to space limitations, the casino offers no hotel or lodging facilities. The Gilpin Hotel Casino commenced operations in October 1992, and was expanded through the acquisition of an adjacent casino in late 1994. It now offers customers approximately 460 slot machines, 4 table games, two restaurants, four bars and parking for approximately 200 cars.

The Lodge is a hotel/casino/parking complex and is one of Colorado's largest casinos. The 250,000 square foot facility, which opened on September 24, 1998, presently offers customers 877 slot machines, 27 table games, 50 hotel rooms, three restaurants, four bars and parking for approximately 600 cars.

On January 4, 2001, Black Hawk purchased the assets and operating business of GDW for $26,000. The 24,000 square-foot gaming and dining facility is located on 4.6 acres, a few blocks west of Reno's downtown gaming district. The GDW has been catering to the "locals" market for the past 23 years and currently offers customers 500 slot machines, 106 motel rooms, one restaurant, four bars and parking for 277 cars.

2. SIGNIFICANT ACCOUNTING POLICIES

Unaudited Consolidated Financial Statements – In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial position of Black Hawk at September 30, 2002 and December 31, 2001, and the results of its operations and cash flows for the periods from January 1, 2002 through February 22, 2002 and February 23, 2002 through September 30, 2002, and the nine months ended September 30, 2001. The accompanying unaudited consolidated financial statements include the accounts of Black Hawk, its wholly owned subsidiaries Gilpin Ventures, Inc. ("GVI") and GDW, and its 75% owned subsidiary, Black Hawk/Jacobs Entertainment, LLC. All significant inter-company transactions and balances have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Black Hawk for the year ended December 31, 2001 contained in the JEI Form S-4 filed with the U.S. Securities Exchange Commission. The results of interim periods are not necessarily indicative of results to be expected for the year.

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," which is effective January 1, 2002. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. SFAS 142 also requires us to complete a transitional goodwill impairment test within nine months from the date of adoption and further requires us to evaluate the carrying value of goodwill for impairment annually thereafter.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." This statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. This statement requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. This statement also broadens the presentation of discontinued operations to include more disposal transactions. We adopted the provisions of this statement at the beginning of 2002 without an impact on our financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." FASB No. 4 required all gains or losses from extinguishments of debt to be classified as extraordinary items net of income taxes. SFAS No. 145 requires that gains and losses from extinguishments of debt be evaluated under the provisions of Accounting Principles Board Opinion No. 30, and be classified as ordinary items unless they are unusual or infrequent or meet the specific criteria for treatment as an extraordinary item. This statement is effective January 1, 2003. We do not anticipate that the adoption of this statement will have a material effect on our financial position or results of operations.

In July 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under EITF No. 94-3. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We do not anticipate that the adoption of this statement will have a material effect on our financial position or results of operations.

3. GOODWILL AND OTHER INTANGIBLE ASSETS

SFAS No. 142 applies to intangibles and goodwill acquired after September 30, 2001, as well as goodwill and intangibles previously acquired. Under SFAS No. 142, goodwill as well as other intangibles determined to have an indefinite life will no longer be amortized; however, these assets will be reviewed for impairment on a periodic basis. Black Hawk adopted SFAS No. 142 on January 1, 2002, has completed its transitional impairment test, and has determined that no impairment of its goodwill balances exits. In addition, Black Hawk has reassessed the useful lives of its identifiable intangible assets without any change to the previously established amortization periods of such assets.

The amortization expense and net income of Black Hawk for the three and nine months ended September 30, 2001, is as follows:

(In Thousands)	Nine Months Ended September 30, 2001	Three Months Ended September 30, 2001
Reported net income	$ 3,009	$ 1,546
Add back: Goodwill amortization	1,127	382
Adjusted net income	$ 4,136	$ 1,928

4. ACCOUNTING CHANGE

Effective January 1, 2001 Black Hawk adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"("SFAS 133"). SFAS 133, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated as hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative has been designated as a fair-value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative has been designated as a cash-flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income net of taxes, and recognized in the income statement when the hedged item affects earnings. SFAS 133 defines new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized in current earnings.

Black Hawk uses derivative instruments to manage exposures to interest rate risk. Black Hawk's primary objective for holding derivatives is to minimize the risks associated with the impact of interest rate exposure. Specifically, Black Hawk uses interest rate swaps, as cash flow hedging instruments, to manage its exposure to interest rate risk on its variable-rate debt. Black Hawk does not enter into derivative transactions for trading purposes, or for fixed rate debt.

Derivative financial instruments taken alone may expose Black Hawk to varying degrees of market and credit risk in excess of amounts recognized in the financial statements. However, when used for hedging purposes, these instruments typically reduce overall interest rate risk. Black Hawk controls the credit risk of its financial contracts through credit approvals, limits, and monitoring procedures. As Black Hawk enters into derivative transactions only with high quality institutions, no losses associated with non-performance on its derivative financial instruments have occurred or are expected to occur.

The adoption of SFAS 133 resulted in Black Hawk recording a $368 gain (net of $200 in taxes) in accumulated other comprehensive income (loss) ("OCI") as a transition adjustment for its derivative instrument which had been designated as a hedging relationship that addressed the variable cash flow exposure of a forecasted transaction prior to adopting SFAS 133.

On February 16, 2001, Black Hawk terminated an interest rate swap agreement designated as a hedging instrument and simultaneously entered into a new interest rate swap agreement designated as a cash-flow hedge. As a result of this transaction, effective February 16, 2001 (date of swap termination), Black Hawk recorded a $318 charge to interest expense due to the devaluation of the original interest rate swap over the period January 1, 2001 through February 16, 2001. In addition, Black Hawk reclassified $118 (net of $64 in taxes) of gain from OCI to interest expense for the amortization of the cumulative transition adjustment gain recorded January 1, 2001 (see above). Derivative losses included in OCI for the nine months ended September 30, 2001 amounted to $1,552 net of $873 in taxes. In conjunction with Black Hawk's acquisition discussed below, Black Hawk terminated its interest rate swap with a charge to operations of $2,655, which has been included in interest expense in the accompanying unaudited consolidated statement of income for the period January 1, 2002 through February 22, 2002.

5. BUYOUT OF BLACK HAWK

On February 22, 2002, JEI, an entity formed by Black Hawk's principal stockholder, Chairman of the Board and Chief Executive Officer, Jeffrey P. Jacobs, completed the acquisition of a 100% interest in Black Hawk, in which prior to the acquisition Jeffrey P. Jacobs owned a minority interest. The accounting treatment for the acquisition is described below.

Diversified Opportunities Group Ltd. ("Diversified") – Jeffrey P. Jacobs and the Richard E. Jacobs Revocable Trust contributed substantially all of their respective interests in Diversified in exchange for 100% of the common stock of JEI. On the acquisition date, prior to the acquisition of the remaining shares of Black Hawk, Diversified owned approximately 32% of Black Hawk, and a 25% interest in the Lodge, of which Black Hawk owned the remaining 75%.

In addition, on February 22, 2002, JEI acquired the remaining 68% of Black Hawk's outstanding common stock for approximately $36,980 and assumed and refinanced approximately $59,950 of Black Hawk's outstanding debt. This transaction was recorded using the purchase method of accounting for business combinations, and the principles of push-down accounting were applied to Black Hawk. The stock and assets of Black Hawk are pledged as collateral for the debt incurred by JEI.

6. PRIVATIZATION AND OTHER NON-RECURRING COSTS

During the three and nine months ended September 30, 2002, in conjunction with the acquisition described in Note 4, Black Hawk incurred privatization costs of $0 and $717, respectively, consisting primarily of attorney, accounting, and investment banking fees to close the Black Hawk acquisition. In addition, Black Hawk incurred $3,165 in costs related to the purchase of stock options upon consummation of the Black Hawk acquisition.

7. SEGMENTS

As defined by SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", the following segment information is presented after the elimination of inter-segment transactions. Black Hawk has two reportable segments (Colorado and Nevada) representing the states in which we operate. The Colorado operations consist of the Lodge and the GHC, and the Nevada operations consist of the GDW. Each segment is managed separately because of the unique characteristics of geographic location, revenue stream, and customer base. The accounting policies of the segments are the same as those described in Note 2.

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

UNAUDITED SEGMENT INFORMATION
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(DOLLARS IN THOUSANDS)

	(In Thousands) Three Months Ended September 30,		(In Thousands) Nine Months Ended September 30,	
	2002	2001	2002	2001
NET REVENUE				
Black Hawk, Colorado	$ 19,923	$ 21,150	$ 58,205	$ 59,817
Reno, Nevada	4,796	4,851	14,192	13,775
Total net revenue	24,719	26,001	72,397	73,592
ADJUSTED EBITDA				
Black Hawk, Colorado	6,141	5,744	17,246	15,760
Reno, Nevada	1,381	1,198	3,923	3,670
Net corporate overhead	(545)	(499)	(1,900)	(1,665)
ADJUSTED EBITDA	6,977	6,443	19,269	17,765
ADJUSTED EBITDA				
Black Hawk, Colorado	31%	27%	30%	26%
Reno, Nevada	29%	25%	28%	27%
ADJUSTED EBITDA	28%	25%	27%	24%
Operating Income				
Black Hawk, Colorado	4,890	4,304	12,305	11,471
Reno, Nevada	1,066	678	2,650	2,244
Net corporate overhead, privatization and other non-recurring costs	(557)	(654)	(5,806)	(2,940)

Operating Income	$ 5,399	$ 4,328	$ 9,149	$ 10,775

	September 30, 2002	December 31, 2001
Assets:		
Black Hawk, Colorado	$ 96,077	$ 93,668
Reno, Nevada	33,022	30,090
Corporate	4,416	5,936
Total Assets	$ 133,515	$ 129,694

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Jacobs Entertainment, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey P. Jacobs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 13, 2002

/s/ JEFFREY P. JACOBS

Jeffrey P. Jacobs
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Jacobs Entertainment, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen R. Roark, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 13, 2002

/s/ STEPHEN R. ROARK

Stephen R. Roark
Chief Financial Officer

JACOBS
INVESTMENTS

December 2, 2002

Mr. Yahuda Yoked
President & CEO
Vicksburg Chemical Company
c/o Cedar Chemical Company
5500 Poplar Avenue, Suite 2414
Memphis, Tennessee 38137

Mr. Charles Chisholm, Director
Mississippi Department of Environmental Quality
2380 Highway 80 West
Jackson, Mississippi 39204

RE: Land in Vicksburg, Mississippi

Gentlemen:

As you know, we are interested in acquiring certain land owned by the Vicksburg Chemical Company ("Owner") comprised of approximately 540 acres in Vicksburg, Mississippi and made an offer to purchase a portion of it on October 22, 2002. We remain aware that it is under the jurisdiction of the Mississippi Department of Environmental Quality ("MDEQ") based on the court order of October 18, 2002.

We have studied the property and its environmental aspects further and are prepared to acquire, subject to due diligence, the entire property and remediate it to the satisfaction of the MDEQ and the United States Environmental Protection Agency ("EPA"), as follows:

1. **Purchaser**: Vicksburg Gaming LLC ("Purchaser"), an entity to be formed and to be a subsidiary of Jacobs Entertainment, Inc., a Delaware Corporation.

2. **Property**: Certain unimproved land owned by the Vicksburg Chemical Company and comprised of approximately 540 acres (including the plant site) in Vicksburg, Mississippi ("Property").

3. **Purchase Price and Terms**: The greater of the fair market value of the Property or the costs of remediation. Remediation shall include clean up of the Property, removal

of the plant and equipment and future monitoring of the environmental condition of the Property as required by MDEQ ("Cost of Remediation"). The Cost of Remediation shall be determined by Purchaser prior to the end of its Due Diligence Period and in consultation with the MDEQ and the EPA. Fair market value of the Property ("FMV") shall be determined as follows: One appraiser shall be promptly chosen each by the Purchaser and the MDEQ, each such appraiser being duly qualified and having regularly conducted similar appraisals. In the event that the appraisers shall agree on the FMV, they shall issue a single joint report of its FMV which shall be the agreed upon FMV; or in the event the appraisers differ as to value by 10% or less, then the average of such appraisals shall be the agree upon value. ("Agreed Upon FMV"). In the event that the two appraisers differ by more than 10% as to FMV, then each appraiser shall render a single report and the two appraisers shall choose a third appraiser. The Agreed Upon FMV or the FMV contained in the third appraisal shall constitute the FMV of the Property; provided, however, that if the FMV contained in the third appraisal is higher than the higher of the first two appraisals, then the FMV of the Property shall be the higher of the first two appraisals and provided further that if the FMV contained in the third appraisal is lower than the lower of the first two appraisals, then the FMV of the Property shall be the lower of the first two appraisals.

4. **Condition.** The Purchaser shall purchase the Property in its "AS-IS,WHERE-IS" condition without representations or warranties as to its physical condition.

5. **Purchase Agreement**. The acquisition of the Property shall be consummated pursuant to a Real Estate Purchase Agreement ("Purchase Agreement") to be negotiated. The Purchase Agreement shall reflect the terms of this Letter of Intent and such other normal and customary terms upon which the parties shall agree. The parties agree to negotiate in good faith and to execute such a Purchase Agreement within thirty (30) days following acceptance of this Letter of Intent.

6. **Conditions.** This offer is subject to the following conditions:

   A. Good and marketable fee simple title in the Property, including all improvements thereon shall be delivered to the Purchaser, free and clear of all liens and encumbrances, other than real estate taxes, possessory interests, leases, contracts, and management agreements, utility and roadway easements and such other easements and natural physical features which, in Purchaser's sole discretion, will not interfere with Purchaser's intended use of the Property.

   B. The risk of loss remains with the Owner and/or the MDEQ until the Closing (as defined herein).

   C. The Property shall be insured as necessary until the Closing.

D. In the event that Purchaser's environmental examination of the Property reveals that there is contamination on the Property related to the chemical plant which cannot, in the sole discretion of the Purchaser but after consultation with the MDEQ and EPA, satisfactorily and economically be remediated, then in such an event, the Purchaser may terminate the Purchase Agreement.

7. **Due Diligence Period**. The Purchaser shall have 180 days following the execution of the Purchase Agreement by the parties in which to examine and evaluate the Property (the "Due Diligence Period"). The Purchaser may conduct such tests ("Examination") as it feels, in its sole discretion, are necessary for such purpose; provided, however, that at a minimum the Purchaser shall conduct a Phase I and II environmental evaluation of the Property and prepare a plan with cost estimates for its remediation ("Remediation Plan"). Purchaser will be given reasonable access to the Property in order to conduct, and agrees to repair any physical damage to the Property occasioned by, such tests. In addition, the parties to the Purchase Agreement agree to provide Purchaser all copies of all existing surveys, and title, environmental, soil and such other reports as each has in its possession. At the end of the Due Diligence Period, the Purchaser shall notify the parties either that (A) the results of the Examination are unacceptable to Purchaser, in which case the Purchase Agreement shall be null and void, or (B) that Purchaser intends to close. In such an event, the Closing shall occur as provided in the Purchase Agreement. In the event that the transaction is not closed, the Purchaser shall turn over to the MDEQ all right, title and interest in the reports which were produced as part of the Examination; provided, however, the Purchaser makes no representations concerning the value or accuracy of such reports.

8. **Earnest Money Deposit**. Upon execution of the Purchase Agreement, $50,000 shall be deposited in escrow as a non-refundable earnest money deposit ("Earnest Money"). In the event that Purchaser terminates the Purchase Agreement, the Earnest Money shall be disbursed as Owner and MDEQ shall direct; and, in the event of closing it shall be applied against the Purchase Price.

9. **Closing**. The Closing ("Closing") shall occur no later than ninety (90) days following the expiration of the Due Diligence Period, at a time and place mutually-agreed upon by the parties. In general, the closing shall occur as follows:

   A. Closing into Escrow. Title to the Property shall be placed into escrow with the title company ("Escrow") and the Purchaser shall commence with remediation as outlined in Remediation Plan ("Remediation"). If at any time during the Remediation of the Property, the Purchaser determines, in its sole discretion, that the cost of the Remediation will be materially different than outlined in the Remediation Plan then, at the election of the Purchaser, the Purchase Agreement shall be terminated. In such an event, the deed shall be released to the Owner from Escrow and the Purchaser shall have no further liability thereunder.

B. Final Closing. At the completion of the Remediation, the deed shall be released from escrow and title shall pass to the Purchaser.

10. **Transfer of Title**. The transfer of the Property to Purchaser shall be by general warranty deed.

11. **Fees and Expenses.** Purchaser shall pay ½ of the closing costs and escrow fees, excluding the transfer taxes if any; the other ½ shall be deducted from the Purchase Price. Each party shall be responsible for its own legal expenses. Any other fees shall be allocated as is customary in the State of Mississippi.

12. **Brokers Commission**. The Purchaser, for its part, has engaged the services of Sawyer Realty in the acquisition of this Property and agrees to pay any real estate commission due Sawyer Realty. Otherwise, each party agrees to defend and indemnify the other parties from claims of any other real estate broker claiming a commission through such party.

13. **Binding Exclusivity**. In consideration of Purchaser's effort and expense in analyzing this acquisition, the parties agree that so long as Purchaser is proceeding in good faith towards the execution of the Purchase Agreement, that they will not solicit, accept, negotiate or otherwise pursue any other offers for the purchase or sale of the Property.

The parties acknowledge that this Letter of Intent, except section 13, is non-binding and agree, in good faith, to negotiate and execute the Purchase Agreement within thirty (30) days following the execution of this Letter of Intent.

We look forward to closing this transaction with you.

Sincerely,

Jacobs Entertainment, Inc.

David C. Grunenwald
Vice-President of Development/Leasing

Agreed and Accepted:

Vicksburg Chemical Company

____
Signature

____
Print Name

____
Print Title

Mississippi Department of Environmental Quality

____
Signature

____
Print Name

____
Print Title

cc: Mayor Laurence Leyens, City of Vicksburg